THE ORGANISATION AND ECONOMIC GEOGRAPHIES OF MARKETING AND PUBLIC RELATIONS BUSINESSES IN THE WEST MIDLANDS

By
Stephen Williams

A thesis submitted to
The University of Birmingham
For the degree of
DOCTOR OF PHILOSOPHY

School of Geography, Earth and Environmental Sciences
The University of Birmingham
June 2010

The Organisation and Economic Geographies of Marketing and Public Relations Businesses in the West Midlands

Stephen Williams

ABSTRACT

This thesis examines the marketing and public relations industries in a sub-region of the West Midlands GOR, which stretches from Birmingham to the country towns and villages of Warwickshire and Worcestershire. The area is characterised as a hotspot for particular knowledge intensive businesses and entrepreneurial activity. By undertaking a whole sector analysis the formation and embeddedness of firms within the tight-knit marketing and PR community are elucidated.

Examining acts of entrepreneurship and firm formation highlight the importance of different factors in the individual decision-making processes of new enterprise start-ups. This produces a plethora of small business organisations that service clients at distance using information and communication technologies (ICT), coupled with the concomitant industry expertise and contacts. There is a stretching of networks, enabled by ICT, whereby pre-existing relationships continue to be exploited. Consequently all firms, including home-based businesses and micro firms are easily established and represent a plethora of business models engaging in networks at a range of spatial scales.

This thesis argues that BPS sectors are characterised by a plurality of business organisations which are crucial for the continual development of the sectors. Integral to this are ICT which facilitate a set of extensively and intensively flexible business organisations.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank Professor Peter Daniels and Professor John Bryson for their continual support and comprehensive guidance during the course of this research.

Telephoning prospective respondents and asking them to take part in a questionnaire is not easy. However, interesting and helpful individuals were engaged with, without whose willingness to be part of this research, the study would not have been possible. They do, therefore, have my unwavering gratitude.

The geography department is a stimulating, engaging and friendly environment. Consequently thanks go to my fellow researchers and academic and non-academic staff, for their encouragement and lively conversation during the course of this research. Furthermore, it would be remiss of me not to acknowledge the efforts of Jamie Peart and Kevin Burkhill in aiding me over the many years.

Lastly, I need to give my thanks to Tim Vorley for pushing me to undertake this great endeavour. Following my successful application total support and encouragement was received from my parents and Rich. It is also important to note the inputs, both pertinent and impertinent from Tim Nisbet, Andy Conner and Steve Byrne and the ‘gamers’. Lastly, Birmingham Blaze – providing me with the physical exertion required to clear the mind and move on to the next task.

TABLE OF CONTENTS

LIST OF MAPS

LIST OF FIGURES

LIST OF TABLES

GLOSSARY OF TERMS

ABI	Annual Business Inquiry
BPS	Business and Professional Services
CIT	Critical Incident Technique
Defra	Department for Environment Food and Rural Affairs
GOR	Government Office Region
HBB(s)	Home-Based Business(s)
ICT	Information and Communication Technologies
IT	Information Technology
PR	Public Relations
SIC	Standard Industrial Classification
SME(s)	Small and Medium Enterprise(s)
UK	United Kingdom

CHAPTER ONE

SILENT ARBITERS OF CONSUMERISM: THE MARKETING AND PUBLIC RELATIONS INDUSTRIES

1.1 Introduction

> "This year (2009) … (saw) … the world's first $100bn brand - Google. While this news may be of little surprise and will provide cold comfort to struggling broadcasters (famously, the brand has never advertised on TV) … (it) … underline(s) the enduring power of strong brands." (EcElhatton, 2009).

We live in an age of 'branded' capitalism; brands matter and brands are created through the activities of the marketing and public relations (PR) industries (Pike, 2009). The sophistication of a product's marketing plan can determine the strength of a brand. Therefore to appreciate how a brand is created and maintained, it is essential that the temporality of the brand building process is recognised. Marketing, if effective, represents a long-term process that is embedded within all facets of a business.

Marketing is a strategic planning process that provides companies with the ability to research and develop products and to meet the needs and requirements of customers. Global brands are one of the most visible manifestations of effective marketing (Table 1.1). The top 20 global brands represent companies that have successfully developed effective marketing and brand management processes. But the activities involved in the marketing of a product, must be dynamic, as the market is always changing, and flexible to innovation and the latest requirements of consumers and competitors. This shift in the status and prominence of a

brand is measured by the changing value of brands over time, for example, Blackberry, SAP and GE (General Electric) (Table 1.1).

Table 1.1 The top 20 global brands by value 2009

Rank 2009	Rank 2008	Brand	Brand Value 2009 ($)	Brand Value 2008 ($m)	Change from 2008 (%)
1	=	Google	100,039	86,057	16
2	1	Microsoft	76,249	70,887	8
3	1	Coca-Cola	67,625	58,208	16
4	2	IBM	66,622	55,335	20
5	3	McDonald's	66,575	49,499	34
6	1	Apple	63,113	55,206	14
7	-2	China Mobile	61,283	57,225	7
8	-6	GE (General Electric)	59,793	71,379	-16
9	2	Vodafone	53,727	36,962	45
10	=	Marlboro	49,460	37,324	33
11	2	Wal-Mart	41,083	34,547	19
12	6	ICBC	38,056	28,004	36
13	-4	Nokia	35,163	43,975	-20
14	-2	Toyota	29,907	35,134	-15
15		UPS	27,842	30,492	-9
16	35	BlackBerry	27,478	13,734	100
17	-1	HP	26,745	29,278	-9
18	-1	BMW	23,948	28,015	-15
19	10	SAP	23,615	21,669	9
20	3	Disney	23,110	23,705	-3

Note: BrandZ is the world's biggest study into what people think about the brands they buy. The brand ranking uses data from BrandZ (a WPP-commissioned database of 443 categories in 30 countries, covering thousands of brands). For the purpose of its BrandZ ranking, Millward Brown Optimor values brands in three steps. First, it establishes a company's intangible earnings and allocates them to individual brands and countries of operation, based on publicly available financial data from Bloomberg, Datamonitor (www.datamonitor.com) and Millward Brown Optimor's own research. Second, it determines the portion of intangible earnings attributable to brand alone, as opposed to other factors such as price. This uses research-based loyalty data from the BrandZ database. Last, the research projects what the brand value will be in the future, based on market valuations, the brand's risk profile and its growth potential.
Source: Clark (2009)

Marketing is responsible for more than brand creation; although the brand is a good measure of the effectiveness of a company's marketing strategy and PR activities. The creation of a famous brand represents the culmination of key processes in a company's

production supply-chain and includes: product design, market research, product development, advertising, public relations, sales, transportation and distribution (Jobber, 2001). These are interdependent elements in the holistic process of marketing. The scale and impact of marketing and PR is reflected in the size of global brands and in the activities of the leading edge marketing and PR agencies.

1.2 Genesis of the research

Since the 1980s geographers have been interested in understanding and unravelling the geographies of business and professional services (BPS) (Bryson *et al.*, 2004). This literature has focussed on market research firms (Bryson, 1997; Wood *et al.*, 1993), various forms of consultancy (Keeble and Bryson, 1996; Keeble *et al.*, 1991) and recently advertising (Ekinsmyth, 1999; Grabher, 2001a; 2002b). However, the marketing and PR industries have not been researched in great depth. Advertising, which is an aspect of marketing, is considered to be "located in a pivotal position between production and consumption" and "plays a key role in constituting the geographic boundaries of markets and in the internationalization of consumer culture" (Leslie, 1995:402), but advertising is only one element in the relationship between production and consumption. Advertising is driven by marketing strategies that include packaging design and various forms of advertising yet geographers have focussed on advertising rather than marketing. There are some exceptions including Pike's (2009) research on branding geographies. PR has been identified as a key growth industry in the UK: first, because of an increasing awareness of the positive effects it can have for businesses and second, the increase in advertising expenditures consequent upon

an improved understanding of PR and finally, because of how PR operates (Kitchen and Proctor, 1991).

This thesis explores marketing and PR firms with a focus on entrepreneurship, the process of firm formation (Audretsch, 2007; 2009; Audretsch and Dohse, 2007; Belso Martinez, 2005; Blanchflower and Oswald, 1998; Braunerhjelm and Borgman, 2004; Brixy and Grotz, 2007; Delmar and Davidsson, 2000; Fritsch *et al.*, 2006; Henley, 2007; Tamasy and Le Heron, 2008) and the organisation and functioning of these BPS activities in terms of their embeddededness and inter-firm relationships (Johannisson *et al.*, 2002; Oinas, 2006; Search and Taylor, 2002; Taylor, 1999; Taylor and Leonard, 2002). In particular the impact of information and communication technologies (ICT), which are heavily integrated into the production and delivery of marketing and PR services, must be investigated (Beyers, 2000; 2003; Grabher, 1993; Ramsey and McCole, 2005; Southern and Tilley, 2000; Taylor and Murphy, 2004; Uzzi, 1996). An important omission from the existing BPS literature concerns the role of home-based businesses (HBBs) in the supply of various forms of expertise (Jay, 2003; Peacock, 1994a; 1994b; Stanger, 2000a; 2000b; Stanger *et al.*, 2001). Previous research has highlighted that media workers frequently operate from home (Baines, 1999; Baines and Robson, 2001; Ekinsmyth, 2002).

Interest in BPS has been stimulated by the rapid growth in producer service industries or BPS firms since the 1970s (Damesick, 1986; Daniels, 1985). Early research focussed on the reasons for the growth of these industries and externalisation of services departments from manufacturing industries was prominent in these debates (Tschetter, 1987; Wood, 1991). This has been coupled with an interest in the size of firms in terms of turnover and number of

employees; not least because of the exponential growth in small and medium sized enterprises (SMEs) (Baines and Wheelock, 1998; Bryson *et al.*, 1997; Keeble and Bryson, 1996; Keeble *et al.*, 1991; Taylor and Murphy, 2004) and a polarisation between them and large transnational corporations (TNCs) (Wood, 1990). The locations and linkages of producer service firms have been explored to some extent with significant interest in the functioning and spatial distribution of these firms (Beaverstock and Boardwell, 2000; Faulconbridge, 2007; Sassen, 2001b).

There has been a significant amount of research into BPS but there are gaps in our understanding of some of the processes of entrepreneurship, firm formation and business organisation, especially in the light of increased access to ICT. The geographical literature for example, has only focussed to a limited extent on the birth and evolution of new BPS firms. An attempt to rectify this requires an investigation into entrepreneurial activities, business formation, and business organisation and production. Much of the literature on this area has focussed on the formation and growth of manufacturing firms (Audretsch and Dohse, 2007; Braunerhjelm and Borgman, 2004; Wagner, 1994).

The analysis of the literature on BPS firms highlights that there is an important gap in terms of understanding the geographies of marketing and PR firms. This thesis will explore this gap through considering the following overarching aim:

> To explore the development, growth, production and delivery of marketing and public relations services and to unravel the spatial distribution of these industries in a regional setting.

This overarching research question is sub-divided into three research questions:

1. What are the determinants of trends in the process of establishing and developing marketing and PR enterprises, including the motivations and decision-making processes of individuals establishing businesses?
2. What is the form and function of non-standard spaces of production (such as smaller urban centres and home-based businesses) within the business models of marketing and PR agencies?
3. What is the organisation and nature of production and delivery at the inter- and intra-firm level, between firms of varying sizes, potentially using non-standard spaces of production (including smaller urban areas and rural settings), coupled with potential impacts from increased access and the use of ICT?

These questions lie at the boundaries of two strands of literature: the small business literature provides the foundation with relevant geographical studies included to provide a coherent overview of the formation and functioning of firms. The emphasis is on the small business and firm formation literature which is where the majority of research has taken place. The following section discusses in more detail the factors driving this research.

1.3 Justifying the study of the marketing and public relations industries in the West Midlands

Much of the existing literature on BPS firms focuses on firms located in urban areas (Boiteux-Orain and Guillain, 2004; Bryson *et al.*, 2004; Sassen, 2001b). This analysis has

tended to focus on international companies or be based around a mixed industry analysis. A single sector based study is required so that all businesses can be explored in conjunction and the organisation of production should be analysed holistically – by this it is meant that the analysis should explore both large and small or even micro-firms (Acs and Storey, 2004; Audretsch and Keilbach, 2004; Taylor and Thrift, 1983). There is therefore a need to explore the wider production spaces and processes of BPS (Bryson and Rusten, 2006). The BPS literature does not give much attention to the entrepreneur or the processes leading to the formation of firms within service industries (Bryson *et al.*, 1993a; Bryson *et al.*, 1997). There have been studies into the *modus operandi* of BPS firms but there is little on the impact of new technologies such as ICT and the relationships between firms of varying sizes (Beyers, 2003; Search and Taylor, 2002).

This thesis explores the organisation and production of marketing and PR firms located in a sub-region of the West Midlands, UK and the focus of the analysis is on the spatial and entrepreneurial characteristics of these firms. Regional locations with lots of entrepreneurial activity are engendered by: economic prosperity; high levels of further education; small firm sizes, in terms of number of employees; and a vibrant research industry sector (Audretsch and Dohse, 2007; Belso Martinez, 2005; Brixy and Grotz, 2007). In view of this the present research has focussed on an area within the West Midlands known as the E3I belt (Bryson and Taylor, 2006); a zone located beyond the Birmingham conurbation. This is an economically prosperous and vibrant area as defined by a set of "'economic', 'entrepreneurial', 'environmental' and 'innovation' factors" (Bryson and Taylor, 2006:5). It includes a number of country towns which are dominant in specific industry sectors to create a "polycentric structure". The area is physically attractive and relative to the region as a

whole, it has the greatest concentration of people with qualifications and the highest rates of new firm formation. It is located in the South-East of the region, encompassing the counties of Warwickshire and Worcestershire as well as Solihull and Coventry (Bryson and Taylor, 2006; Daniels and Bryson, 2002b).

Location quotients were used to identify the key concentrations of the marketing and PR industries in the region (Appendix 1) as well as ABI data which demonstrate that most firms have fewer than 10 employees (Chapter 3). Similar patterns of BPS industries in the West Midlands were identified by Daniels and Bryson (2002b). They included the identification of a BPS corridor which stretches from central Birmingham through Solihull and intersects with another band of BPS activities extending around the conurbation: from Lichfield to Worcester.

The Chartered Institutes of Marketing and Public Relations data confirm large numbers of registered members in the West Midlands Government Office Region (GOR). Of the 30,000 members in the UK, 1,700 are located in the West Midlands (Boddy, 2009). PR is distinct from marketing, but is integral to a successful marketing mix. The Chartered Institute of Public Relations has 9,186 members in the UK of which 382 are based in the West Midlands (Molloy, 2009).

The creative industries have been given a national policy platform by the Department for Culture Media and Sport (DCMS) which firmly links creative industries with the 'knowledge economy' (Pratt, 2007). The DCMS identified activities associated with, and part of, the creative industries and while marketing and PR activities are mentioned they are not

discussed explicitly (DCMS, 2001). They make some attempt to measure the size of the industries but this is limited (DCMS, 2009). This raises questions about the relationships between "public and private, formal and informal, production and consumption ... as well as differences between the individual industries" (Pratt, 2007:6).

BPS research has mostly overlooked marketing and PR and concentrated on legal services, finance and accountancy (Britton *et al.*, 2004; Devine *et al.*, 2000; Sassen, 2001b; Thierstein *et al.*, 2008) as well as advertising (Faulconbridge, 2006; Grabher, 2002a; 2002b; Leslie, 1995; Leslie, 1997) or media workers in publishing and some PR activities (Baines, 1999; Baines and Robson, 2001; Ekinsmyth, 2002; Fletcher, 2006). Others have developed the notion of the creative class' (Florida, 2002b; 2002c), the spatial consequences of project based work formed from ephemeral project groups (Ekinsmyth, 2002; Grabher, 1993; 2002a; 2002b), and the ability of creative industries to provide economic regeneration in urban settings, as well as the need to accurately define the creative industries (Markusen *et al.*, 2008; Markusen *et al.*, 2006). Whilst there has been significant research into the activities of BPS firms by geographers this has not investigated the processes of firm formation and entrepreneurship or of business organisation and production. Along with this, important new developments in the process of firm formation and organisation including ICT and HBBs have undergone very little analysis. This is not to suggest that HBBs are a new phenomenon, but that this organisational form has been neglected by geographers.

This study is therefore rooted in a need to examine these processes as well as the dynamics of firm formation, inter-firm relationships and backward and forward linkages of SMEs and large firms'. The key literatures on entrepreneurship, firm formation (Acs and

Storey, 2004; Audretsch, 2007; Audretsch and Keilbach, 2004; Blanchflower and Oswald, 1998; Delmar and Davidsson, 2000) and business organisation and production provide extensive analysis of these processes with regard to manufacturing industries. Some undertake undertake large scale macrostudies which are regionally or nationally based and analyse a set of industries in aggregate (Audretsch and Dohse, 2007; Braunerhjelm and Borgman, 2004; Mueller *et al.*, 2008). These studies provide an important starting point to examine the relationships between large and small firms within the marketing and PR industries. In addition, the way in which these agencies are integrated and embedded within regional and national networks must be explored so that a comprehensive and fuller understanding of their form and function can be ascertained (Araujo *et al.*, 2003; Dicken and Thrift, 1992; Ekinsmyth, 2002; Fletcher, 2004; Johannisson *et al.*, 2002; Rathe and Witt, 2001; Taylor and Leonard, 2002). There is a need to examine the organisation and production of service industries and in particular BPS which has been undertaken within manufacturing but has not been tackled within service industry research (Search and Taylor, 2002).

The marketing and PR industries play an integral role in the ongoing success of businesses. The strength of some brands and the sudden rise of new businesses – client firms – from obscurity demonstrate the power of marketing and the importance of PR as an aid to brand development. Marketing has also played an important role in the revitalisation of existing brands, for example Marks and Spencer. This typifies a society which is saturated by media images and messages and where the manipulation of symbols and texts is crucial for the success of a business (Davis and Scase, 2000; Lash and Urry, 1994; Leslie, 1995). Within global capitalism advertising mediates between consumption and production "alongside shifting geographies of production" (Leslie, 1995:403). Advertising is a component of the

marketing process but this appraisal of the special role of advertising is likely to hold true for marketing and PR because the industries are so closely linked. It is clear that some marketing and PR agencies are global companies, and league tables indicate an industry with huge profits (Table 1.2 and 1.3). There can be considerable movement between some of the firms as their profits fluctuate from year to year indicating a dynamic sector.

Table 1.2 Top UK direct marketing and sales promotion agencies 2009

Rank			Gross Profit (£)		Gross profit change	Turnover (£)		Change from 2007
2009	2008		2008	2007	(%)	2008	2007	(%)
1	1	Iris Worldwide	37,000,000	28,169,000	31	68,000,000	53,254,000	28
2	2	Gyro International	34,460,000	21342000	61	51,490,000	37010000	39
3	16	Digital Marketing Group	33,080,000	8,390,000	294	50,970,000	13,060,000	290
		Proximity London	n/a	29,207,355	n/a	n/a	56,109,879	N/a
4	3	CHI & Partners	24,392,000	21,238,000	15	54,868,000	49,519,000	11
		RAPP Holdings		23,268,279			83,346,889	
		EHS Brann		21,024,550			30,595,714	
5	4	Tangible Group	21,015,000	19,819,000	6	58,389,000	49,323,000	18
6	n/a	The Marketing Store Worldwide	19,500,000	14,500,000	34	62,400,000	48,000,000	30
7	6	Tullo Marshall Warren	17,889,000	15622000	15	25,513,000	21,680,000	18
8	5	The Direct Marketing Group	15,400,000	15638000	-2	35,900,000	42873000	N/a
9		Momentum UK	n/a	14,578,000	n/a	n/a	28,708,000	N/a
		Tequilla\London	n/a	14,313,172	n/a		25,054,594	N/a
10	10	Billington Cartmell	14,251,142	12,000,000	19	22,913,092	20,200,000	13

Notes: Information was collated by Marketing by sending a form to each agency directly. For agencies affected by the US Sarbanes-Oxley Act, which restricts the amount of information firms are allowed to make public, they have used Companies House data provided by Willott Kingston Smith. These agencies have been placed in the table as a guide to their size, but not ranked. The significant increase in Digital Marketing Group's figures is due to acquisitions.
Source: McElhatton (2009)

While information on the largest marketing and PR agencies in the UK is useful, it provides little insight in to the functioning of these businesses at a range of spatial scales. It raises a series of questions concerning the size and location of other less visible agencies in the UK, interactions between agencies, and on the form and nature of relationships existing between them and their clients.

Table 1.3 Top UK public relations consultancies 2008

Rank			Fee Income (£k)			Turnover (£k)
2008	2007		2008	2007	% change	2008
1	1	Bell Pottinger Group	55,566	52,533	6	238,711
2	-	Brunswick [1]	52,000	-	-	-
3	-	Financial Dynamics [1]	48,880	-	-	-
4	-	Weber Shandwick [1]	31,720	-	-	-
5	7	Edellman	24,835	20,899	19	36,127
6	-	Hill & Knowlton [1]	23,400	-	-	-
7	5	Citigate Dewe Rogerson	21,095	21,378	-1	25,351
8	-	Finsbury [1]	19,500	-	-	-
9	-	Freud Communications [1]	18,720	-	-	-
10	-	Fishburn Hedges [1]	17,680	-	-	-

Notes: Fee income is defined as PR fees plus any mark-up. Figures from 1st January to 31 December 2008, rounded to nearest £1,000. [1] Some agencies declined to give figures, citing restrictions imposed by the Sarbanes-Oxjey Act (2002). Fees are estimated.
Source: (Wallace, 2009)

1.4 Structure of the thesis

The argument is developed over eight chapters. Chapter two is structured into three sections: first, the chapter explores entrepreneurship and firm formation in terms of definitions, processes, macro and micro studies. This section outlines the characteristics and attributes that nascent and aspiring entrepreneurs possess and highlights the need to investigate the decision-making process to become an entrepreneur. In particular this research

demonstrates the need to investigate the exogenous and endogenous factors influencing an individual's decision to establish a new enterprise. Second, the chapter examines the building blocks to firm formation and entrepreneurship in the form of ICT as a facilitator and enabler to new businesses and established firms. In particular, attention is given to factors effecting adoption rates of ICT and the benefits which high levels of e-business technological integration can bring to a firm. Next the section examines the role of HBBs, the use of the home by new manufacturing start-ups is well established but there is very little research into their role in the formation of service firms. Third, the review turns to discuss the theories which examine how firms interact and the backward and forward linkages in the process of business organisation, production and delivery. In particular there is a discussion on the firms boundaries and embeddedness within local production networks. Finally, the section investigates the need to explore enterprise establishment and evolution as a process which is both temporally and spatially dependent. In light of this segmentation theory is introduced because it emphasises the need to appreciate all business organisations as reacting and interacting together, their potential to change over time and through space and the ability to group firms into types producing a segmented, yet fluid, economy.

Chapter three outlines the methodology utilised to identify, and then survey, the marketing and PR industries within the study region of the West Midlands, UK. The research was undertaken using a four stage multi-method approach. This chapter reviews the development and execution of the telephone survey and subsequent in-depth interviews used in the data collection process. There is limited official data to measure the size and structure of the marketing and PR industries, thus it was necessary to gather data which would permit the structure and organisation of the industries to be identified. Following this the in-depth

interviews allowed specific themes on the form and function of the marketing and PR agencies to be explored.

Chapter four profiles the marketing and PR industries in the West Midlands arguing that these business organisations represent a complex regionally based system of service production and delivery. This system is characterised by linkages and relationships between firms which are utilised to operate novel business models. The networks between the range of SMEs allow them to facilitate the needs of clients located close by and at a distance. The chapter begins by exploring the marketing and PR industries as part of BPS industries in the UK and the West Midlands. Following this, the analysis engages with some of the wider theories that have been developed to explain the organisation, production, and spatial distribution of BPS firms.

Chapter five explores the decision-making processes of entrepreneurs as they move from being employed to self-employed. The analysis identifies a range of critical incidents in the entrepreneur's life which 'force' him or her to decide to establish their own firm. The analysis examines the individuals own self-efficacy in the context of the economic and social environment in which they are situated, and in this case a sub-region of the West Midlands. There are a variety of personal as well as employer and industry related reasons why an individual decides to establish their own agency.[1] The Critical Incident Technique (CIT) is used to identify and then analyse the interplay between the factors, cited by respondents, which led them to become self-employed.

[1] Marketing and PR businesses are usually referred to as an agency. In line with this marketing and PR businesses will be referred to as agencies within this thesis.

Chapter six explores the factors influencing the choice of premises and locations of marketing and PR agencies in the sub-region of the West Midlands. In doing so the chapter uncovers the temporal and spatial considerations that firm founders have to grapple with as they decide where to locate their business. From this the analysis identifies four models of business location as agencies locate in home-based and office-based premises. Locations are examined over time, which permits businesses to be analysed in context and conclusions are drawn on the processes and patterns which influence the spatial distribution of businesses. The chapter identifies key moments in the growth of firms as a move can signal a change in an enterprise's long term business model. By revealing the factors influencing location choices it is possible to gauge the importance of ICT, and proximity to labour and clients and the new geographies of organisation and production which the analysis begins to uncover.

Chapter seven investigates the level of integration of ICT in marketing and PR agencies in the West Midlands sub-region and the subsequent impact on their ability to service clients at a distance. The analysis is embedded within contemporary debates that explore the role ICT plays in removing the constraints of geography as well as leading to the formation of new spatial patterns of business activity. The findings suggest that ICT is loosening traditional geographic ties and providing small firms with greater flexibility and economic advantages. Agencies are categorised according to the spatial distribution of clients. This identifies three types of businesses: those that are either oriented towards local or non-local clients and a third category of agencies which have a mix of local and non-local clients. The analysis reveals the nature of agency-client relationships in terms of power and the profound effect ICT is having on business communications though this is coupled with factors specific to the individual agency.

Chapter eight brings together the conclusions from the previous chapters. In so doing the conclusion describes a complex picture of firm formation and growth by marketing and PR knowledge workers who are 'shaken out' from formal employment. The analysis outlines the key findings of this research and the relationship with existing theories that explore the production, organisation, and delivery of BPS firms. It is argued that the businesses in this survey are part of a larger system of businesses organisations that are engaging in different modes of production resulting in new geographies of business organisation. Indeed, it is suggested that these businesses successfully overcome geographical constraints and are able to locate in areas overlooked in conventional geographic debates. This is enabled by ICT which permits long distance communication and maintains contacts and relationship which may previously have been lost. Though usually small, and frequently home-based, these businesses provide services to a range of firms which includes larger agencies and clients located at a range of spatial scales. This study has explored the first stages in the ongoing process of business formation, though some businesses remain small, others grow and become established employers within the regional economy. Although frequently micro, cumulatively these businesses provide the foundation of the marketing and PR industries.

This introductory chapter has provided the context for researching the marketing and PR industries. It has argued that these industries have been largely ignored in the existing BPS research. Furthermore, to fully understand these firms and their establishment and development it is necessary to explore literatures which study the growth and establishment of firms. This has primarily taken place within the study of manufacturing firms and thus provides the starting point. Evidence has been presented which argues that the marketing and

PR industries are fundamental to the ongoing viability and strength of businesses, and therefore these sectors require further investigation.

CHAPTER TWO

THE ORGANISATION AND STRUCTURE OF BUSINESS AND PROFESSIONAL SERVICES: PATHWAYS TO EXPLORING SERVICE PROVIDERS

2.1 Introduction

The present research is driven by the need to explore how the development, growth and production of the marketing and public relations industries influence their spatial distribution across the West Midlands. Three key areas of research are identified: first, the role of entrepreneurship in enterprise creation; second, the role and impact of HBBs and ICTs on the process of firm formation; and third, the interactions and linkages between businesses in the form of boundaries and firms' embeddedness within wider business communities.

The first section of this chapter explores entrepreneurship and firm formation, including: what the process entails, the role of the entrepreneur and the factors influencing their decision to become self-employed, the process of firm formation and the spatial and temporal factors which influence their growth and evolution. The second section explores two aspects of firm formation: HBBs and ICT. Finally, the firm and its boundaries and the extent to which different firms are embedded within the local and wider economy is examined. The conclusion will bring the key gaps and findings from this review together and provide a foundation upon which to base the research reported in the following chapters.

2.2 Entrepreneurship and firm formation

Entrepreneurship and firm formation are major research topics that are inextricably linked (Taylor, 2006), not least because the former usually includes new enterprise start-ups (Audretsch and Keilbach, 2004). Theories of firm formation are generally separate from studies into "acts of entrepreneurship" but "entrepreneurial processes are central to the firms' progress, expansion or contraction" (Taylor, 2006:22).

2.2.1 Definitions and processes

Entrepreneurship has been extensively researched following Schumpeter's (1947) work expounding the theory of 'creative destruction' which began to explore entrepreneurial activity as a driver of economic growth. There is a plurality of entrepreneurs indicated by the different definitions. Knight (1921) described the entrepreneur as an economic pioneer who initiates change by managing uncertainty and risk. The Economist (2009:4) defines the entrepreneur as "somebody who offers an innovative solution to a (frequently unrecognised) problem" whilst the management guru Peter Druker noted that they are "somebody who "upsets and disorganises" (Economist, 2009). The entrepreneur can be defined by the interrelated processes of business formation and self-employment (Rotefoss and Kolvereid, 2005). Acs and Storey (2004) suggest that entrepreneurs "recognise an opportunity to use resources that yield a low return and shift them into a function that yields a higher return from which they personally gain" and are not necessarily providing a new product. Audretsch and Keilback (2004:950) suggest that "the failure of a single definition of entrepreneurship to emerge … reflects the fact that it is a multidimensional concept".

The influence of entrepreneurs on the factors of production has only recently been appreciated (Audretsch, 2007). The role of the individual was highlighted by Romer (1986) who added 'knowledge' to the neoclassical production function established by Solow (1956).[2] Audretsch (2007) adds entrepreneurship to the production function because it serves as a "conduit for knowledge spillovers" and is the dynamic entity explaining the correlation between knowledge and economic growth. Thus, the entrepreneurial society represents a dynamic and vibrant economy.

Audretsch and Keilbach (2004:951) suggest that locations with "entrepreneurship capital" will experience higher rates of business start-ups. Entrepreneurship capital is calculated by linking the processes of entrepreneurship, economic performance and regional development. Individuals wishing to establish a firm are important but they cannot operate alone and the "regional milieu" including: "formal and informal networks", "social acceptance of entrepreneurial activity" as well as "bankers and venture capital agents willing to share risks and benefits involved" must be taken into account (Audretsch and Keilbach, 2004:951). Thus, new business formation and entrepreneurial activity must be studied in conjunction with the context of the industrial and economic backdrop of the region.

For some people, in the last part of the twentieth century self-employment has become more attractive than being employed (Belso Martinez, 2005). One reason for this is "new technologies (which) have reduced the importance of the economies of scale" so smaller enterprises have become more competitive. Also, the tradability and commoditization of knowledge, as a consequence of globalisation and product homogenisation, has resulted in

[2] The production function, outlined by Solow (1956), positions production, labour and capital as the key determinants of economic growth.

"numerous market niches" encouraging small enterprise start-ups enhanced by "privatisation policies, deregulation and promotion of entrepreneurship" (Belso Martinez, 2005:147).

Since the 1970s studies have affirmed the positive relationship between entrepreneurship and economic development (Belso Martinez, 2005). A study of private firms in urban local areas in the US found a positive relationship between entrepreneurship rates and regional growth rates (Acs and Armington, 2004). New firms were found to be more important than existing small firms (the exception being manufacturing) for taking advantage of "knowledge externalities within a region" and entrepreneurship as the vehicle facilitating the spillover and leading to economic growth (Acs and Armington, 2004). However, Belso Martinez (2005) reveal the complex relationship between economic growth and entrepreneurship by examining the interplay between the 'entrepreneurship rate' and the 'equilibrium entrepreneurship rate'.[3] The entrepreneurship rate should, over time, converge with the equilibrium entrepreneurship rate. A fluctuation in the entrepreneurship rate, either above or below the equilibrium rate, dampens economic growth. Therefore, there is a need to regulate or encourage entrepreneurship. These findings have consequences for policymakers and entrepreneurs, the latter are recommended to establish enterprises in regions where the entrepreneurship rate is below the equilibrium rate (Belso Martinez, 2005). Once again there is a need for studies which focus on specific locations and specific industries within them.

Assuming entrepreneurship is good for an economy (Acs and Storey, 2004), its long-term effects must be investigated. Many studies find that high rates of entrepreneurial activity and firm formation are the main drivers of job creation (Van Stel and Storey, 2004) but the

[3] The 'entrepreneurship rate' is the number of business per labour force (in thousands) in each of the bounded areas identified (Belso Martinez, 2005). The 'entrepreneurship equilibrium rate' is dependent on the level of economic development in an area at a determined period (Belso Martinez, 2005).

impact is immediate and diminishes over time (Acs and Storey, 2004; Audretsch and Keilbach, 2004). High-rates of firm formation can have negative effects (Brixy and Grotz, 2007). In the short-term, policies to increase firm formation can have little or even a negative effect, especially if encouraged in non-enterprising areas (Van Stel and Storey, 2004). Entrepreneurial activity can lead to job losses in the long-term (for example, if subsidies aimed at encouraging business start-ups are exhausted) (Fritsch and Mueller, 2004). Furthermore, high-rates of firm survival, may indicate a lack of competition in the market place, inhibit new efficiencies and produce a weak regional economy (Brixy and Grotz, 2007).

2.2.2 Entrepreneurship and firm formation at different spatial scales

Entrepreneurship is studied at different levels, including: that of the individual, and their reasons for deciding to establish a new enterprise; as well as regionally and nationally, with an emphasis on variations in regional business formation and the factors effecting this (Audretsch, 2002; Lee *et al.*, 2004). Acts of entrepreneurship are influenced by factors including: "economic to historical, psychological, social, cultural and political" (Belso Martinez, 2005:156). When examining the business start-up process studies usually fall into one of three areas: first, by focussing on the individual or the entrepreneur; second, the environment or regional characteristics and last, the entrepreneurial activities during the business formation process (Rotefoss and Kolvereid, 2005).

Regional and national studies attempt to inform policy, driven by the assumption that "regions with high start-up rates in the past are likely to experience high levels of firm

formation in the future" (Tamasy and Le Heron, 2008:49). Entrepreneurship can be identified by examining firm size: locations with a large number of firms with few employees are likely to have high levels of firm formation (Acs and Storey, 2004). Attempts to categorise businesses according to growth potential (by jobs created and export potential beyond the region or country) and then introduce policies to help them cannot easily identify the new enterprises which fulfil this criteria (Acs and Storey, 2004). Audretsch and Dohse (2007) argue the importance of understanding the firm in the context of their regional economic environment. Their study based on German firms found that "regions abundant in knowledge resources appear to provide a particularly fertile soil for the growth of young, technology-oriented firms" (Audretsch and Dohse, 2007:100).

Broadly, "a nation's economic wellbeing depends on successful new ventures combined with the force of established enterprises" (Tamasy and Le Heron, 2008:37). Regional economic growth is influenced by industry "concentration and entrepreneurship" which ranks above other factors (Braunerhjelm and Borgman, 2004:941). A study using data for the period 1980 and 2003 identified the "wrong type of entrepreneurship" (Mueller *et al.*, 2008). When calculating the ability of new firms in Great Britain to create jobs they found that prosperous regions could expect more firm formation and in turn increased job creation (taking into account the loss of jobs when firms enter a market and displace existing firms) (Mueller *et al.*, 2008). Likewise, regions with a low enterprise culture compared to those with high firm start-up rates had new firms which were less likely to produce jobs. Van Stel and Storey (2004:903) studied longitudinal data on Great Britain between 1980 and 1998 and found that a policy change in the 1990s towards supporting established firms had a "positive and significant" effect on employment rates. However, there is a distinct lack of research

which examines the factors leading to the growth and expansion of businesses and the processes leading to their ability to employ others (Henley, 2005).

The type of firms formed and the sector they are established in is also important (Fritsch, 2008). Braunerhjelm and Borgman (2004) analysed Swedish regional data between 1975 and 1999 and found that manufacturing sectors had a greater propensity for agglomeration in comparison to service sectors which are less spatially concentrated and were more prone to acts of entrepreneurship because of the low barriers to entry. In particular they found that financial institutions were generally 'highly concentrated' but real estate and business services displayed a 'moderate concentration' over the period (Braunerhjelm and Borgman, 2004).[4] Research into new business start-ups between 1979 and 1989 in Germany revealed a positive correlation in the growth of small businesses and industry sector growth and industry concentration (Wagner, 1994).

The localization of industries has also been attributed to encouraging entrepreneurship. Localization arises where: first, groups of similar businesses in a geographically bounded area provide a "pooled market for workers with industry specific skills" ensuring a reduction in the likelihood of unemployment and lack of skilled labour (Krugman, 1991:484). Second, "localized industries can support the production of non-tradable specialized inputs"; and third, agglomeration economies or "informational spillovers" from clustered businesses obtain a "better production function than isolated producers" (Krugman, 1991:485). Geography is a crucial factor in the measurement of knowledge spillovers and determining macroeconomic growth.

[4] Braunerhjelm and Borgman (2004) used the Ellison–Glaeser geographical concentration index. A calculated result of '0' = no concentration, <0.02 = low concentration, 0.02 – 0.05 = moderate concentration and >0.05 = highly concentrated.

Using data between 1983 and 2000 Fritsch *et al.* (2006) investigated the impact of industry, region and time on new enterprise formation rates and found the "regional characteristics" of the economy must be taken into account when explaining firm formation and survival rates of firms. Key factors include: changes in regional employment, the regional unemployment rate and regional economic conditions (Fritsch *et al.*, 2006:285). Firm formation differs regionally as do the time-lags before the full effect of new firms is apparent (Fritsch, 2008). Variations in the impact of firm formations are: the quality of the start-ups; the characteristics of the entrant (influenced by e.g. labour pools, capital and venture capital); structure of the region's economy; the sector the firm is entering; local competition and whether the firm has a global business model.

Fletcher (2004:302) suggests that entrepreneurship is a "heavily contextualised and socially constructed activity" and it comes in two forms. First, enterprises that are established with a global or international business model embedded within an "international business context and market" (Fletcher, 2004:300). Second, small firms with a local or regional business model engage in international trade as a process of entering new markets or arenas using capabilities developed within a local context. Similarly, Britton (2004:386) researched electronics manufacturing firms and found that exporters are "adept at searching for and acquiring speciality inputs and alliance partners". Also multiplant firms were more likely to export than single plant firms (Britton, 2004).

Florida's (2002c) study of US cities has identified 'creative regions' using a creativity index. Cities and regions have been ranked according to their mix of service classes. There are two key conclusions: first, there are new and separate geographies of working class and

'creative class' workers. Second, locations with large numbers of the 'creative class' are more likely to be economically vibrant and successful (Florida, 2002c). Third, the creative class develops in a "productive and supportive" business environment coupled with an "educated population … where creativity, diversity and innovation are encouraged and valued" (Lee *et al.*, 2004:881). Even so Florida (2002c) has been widely criticised not least because labour, "income change and population growth" are established factors within the literature (Lee *et al.*, 2004; Markusen, 2006; Peck, 2005). Such macro studies are useful, but can generalise and miss the nuances of specific sectors and the decision-making processes of individual entrepreneurs.

2.2.3 The role of the individual

Audretsch and Keilbach (2004) support an endogenous approach to entrepreneurship focussing on the actions of individuals. Firm formation studies usually focus on either: aspiring, nascent or fledgling entrepreneurs (Rotefoss and Kolvereid, 2005). Factors at each of these stages influence the long-term success of the firm. Learned (1992) suggests three stages to the founding process which climax in a decision either way. Katz (1990) presented a "three hurdles model" towards self-employment including: aspiring, preparing and entering. This latter model permits individuals to drop out of the business start-up process. Rotefoss and Kolvereid (2005) bring together all elements in the key stages towards firm formation and they identify three stages. First, the "aspiring milestone" which is the intention to become an entrepreneur; second, the "preparing milestone", the attempt to establish a business and lastly, the "entering milestone" or the "actual start-up" (Rotefoss and Kolvereid, 2005:110).

An accumulation of highly educated individuals endowed with certain skill sets catalysed by intense networking interactions can provide a setting for entrepreneurial activity. Lawton Smith *et al.* (2005) explored entrepreneurial behaviour in Oxfordshire, UK and found that the county's dynamic high-tech industry environment is produced from the spatial "concentration of very highly-skilled … individuals" who were prepared to exchange their knowledge (Lawton Smith *et al.*, 2005:475). Networking is important for this group of 'intelligent' individuals who were defined as a "merchant class" with key skills and talents producing a rich and vibrant set of social actors (Lawton Smith *et al.*, 2005:475).

The individual is an important determinant of entrepreneurship (Audretsch, 2002; Blanchflower and Oswald, 1998). Dollinger (1995:12) posits "each person's psychological, sociological and demographic characteristics contribute to or detract from his or her abilities to be an entrepreneur". Factors associated with the likelihood of an individual forming a business include education as a key element (Delmar and Davidsson, 2000) particularly to degree level where they have acquired various soft-skills such as "self-confidence and self reliance" (Henley, 2005:190). Previous entrepreneurial experience (Delmar and Davidsson, 2000; Westhead and Wright, 1999) and unemployment are also spurs into entrepreneurship (Storey, 1991), as well as the opportunity cost of the profits from self-employment over wages earned from employment (Audretsch, 2002; Peacock, 1994b).

Henley (2005) found that family background is a key element. Entrepreneurs frequently cite having parents who were self-employed and individuals with "employer-parents" are 75 per cent more likely to employ ten or more people (Henley, 2005:190). Eckhardt and Shane (2003) add to this the need to understand the role that knowledge plays in

creating opportunities in time and place and the ability to harness this. They suggest that "the existence of opportunities and the actions of agents, and not simply … the characteristics of agents" must be explored (Eckhardt and Shane, 2003:334). This theoretical shift is useful because it highlights the primary tenet of business formation: individuals form businesses.

Audretsch (2009) and Blanchflower and Oswald (1998) researching acts of entrepreneurship find that individuals possess a vision and alertness to business opportunities, but access to finance often decides whether an individual establishes an enterprise. Financing a new enterprise is hard and can be the difference between success or failure (Audretsch, 2002). Studies in Europe and North America confirm this: "small and new enterprises face significant constraints in obtaining finance" (Audretsch, 2002:39). What finance is available, from banks and other mainstream lenders was at more favourable rates and more easily obtained the bigger the business. Henley (2005) found that housing wealth and the financial collateral it represents contributes positively to the likelihood of an individual establishing a business.

Henley (2005) emphasises the importance of the interconnectedness of these factors (education, previous experience, family background) and suggests that policy needs to be long-term and directed at meeting the needs not already available to an entrepreneur e.g. training for would-be entrepreneurs without a formal higher education. Fletcher (2006:424) supports this and emphasises the need to appreciate the process of entrepreneurship in relation to other factors in the entrepreneurs life and notes that "the process of opportunity discovery is distinctive or unique to entrepreneurship" so that networks, experience, ideas sharing, prior knowledge etc are "frameworks" and part of the "opportunity recognition process". Fletcher

also argues that there are many linear models to explain the processes of entrepreneurship but "understandings of how and why business ideas 'locate' with particular individuals at particular points in time are still fairly underdeveloped" (Fletcher, 2006:436). Thus, researchers should explore beyond the individuals' decision-making process but situated in a "cultural, societal, economic and political" context.

The majority of individuals take up to a year to decide to become self-employed (although some take just a few weeks) and consequently the amount of preparation undertaken varies considerably (Henley, 2007). Unsurprisingly, the greater the amount of preparatory training the better is the chance for survival and growth of new enterprises. Using panel data from the British Household Survey, Henley (2007:277) identifies both nascent and aspiring entrepreneurs and found that the decision-making process is "highly interdependent" because "unexplained factors in the aspiration equation are highly correlated with those in the transition equation". However, the panel data used by Henley (2007) is too large to develop the nuances that underlie these factors at the individual level. Geographically, locations with aspiring entrepreneurs do not always translate into acts of entrepreneurship. Furthermore, job dissatisfaction does not spur would-be entrepreneurs into self-employment and aspiring entrepreneurs see new business formation as a "route towards financial security" rather than a potentially risky investment a consequence of the lack of preparation undertaken by some would-be entrepreneurs (Henley, 2007:278).

2.2.4 Business and professional services and firm formation

Bryson *et al.* (1993b:270) researching BPS found that the knowledge and previous experience, as well as the number of potential client contacts that individuals had, were crucial elements in business formation, and offered some explanation for the continuing "fragmentation … and organisational flexibility" of business consultancies researched. Other factors influencing the individuals decision-making process include: the growth of business to business services and the attributes required to be successful such as previous employment, which provided the knowledge and experience required to establish and manage successful businesses (Bryson *et al.*, 1993b). Previous industry knowledge heavily influenced the industries in which new start-ups specialised, but this does not explain why businesses were established, or why individuals felt capable of establishing them.

Spin-offs and new business start-ups are similar processes in new business formation (Bryson *et al.*, 1997). Both types of business formation require pre-acquired industrial knowledge before individuals can establish their own enterprise. Bryson *et al.* (1997) found that the knowledge intensive nature of the industry creates relatively low barriers to entry in terms of capital investment for those wishing to enter it. This translates into transient professionals, and relatively ephemeral businesses with mergers and acquisitions being common as enterprises come and go (Bryson *et al.*, 1997). Bryson *et al.* (1997:350) report that actual or potential unemployment is cited as leading to 27 per cent of new business formations noting that "potential rather than actual unemployment of expert staff" who left because of "attractive severance terms, lifestyle factors, age or the identification of a market niche for new firm formation". Whilst unemployment may encourage some business start-

ups, a range of more positive and 'soft' reasons are also important, including: personal and domestic fulfilment, independence, increased remuneration, and intellectual stimulus (Bryson *et al.*, 1997).

Exploration of entrepreneurial activity at the level of the individual has made some attempt to understand the interplay between factors leading to new firm formation. There is a need to analyse the decision-making processes of individuals, preceding the establishment of new enterprises. Research into the geography of BPS neglects to analyse the interplay between the business formation factors mentioned by respondents (Bryson *et al.*, 1993b; Keeble *et al.*, 1991; Keeble and Nachum, 2002). Bryson *et al.* (1993b) exploring BPS, found that businesses may have had alternative sources of finance when they were initiated. This was in the form of redundancy packages and for some women, the income from a spouse allowed them to establish a business (Bryson *et al.*, 1993b). Redundancy provides the entrepreneur with a guaranteed income for a period of time, during which they can concentrate on establishing their business and building a client base.

Regional business and professional service providers

Hitchens (1997) investigated the relationship between rural BPS providers and their manufacturing clients in rural mid Wales and found that local service provision was "generalist". Three observations can be drawn from Hitchens' (1997) study of provision of BPS for manufacturing firms in rural mid Wales: firstly, because of the absence of an extensive manufacturing base, service providers were mainly generalists and this "was recognised to be a disadvantage by only a minority of firms" (Hitchens, 1997:687). Secondly,

for SME manufacturers the local provision of accountancy and legal services was adequate but they needed to visit contacts in centres with a larger service provision for more specialist advice. Lastly, service providers may have specialist skills in other sectors, not least their "large agricultural client base" (Hitchens, 1997:686). Hence, whilst a sector based study is important it must also appreciate which sectors of the economy the businesses service and why. A recent study by Bryson and Rusten (2004) in Norway identified regional BPS offices that have developed niche skills required by local clients, which they have subsequently exported beyond such clients. In this situation BPS firms are integrating themselves within global networks through the specialist skills they develop for local clients.

Daniels and Bryson (2005) explored the sustainability of BPS in the West Midlands region of the UK and found that 25 per cent of BPS sales are reliant on the manufacturing industry. Three competitive strengths in the region were identified: an inherent belief in the quality of the services being provided; SME services providers had significant reputational capital and lastly they had good quality staff. The region has cost/price advantages, but these were less essential for attracting new clients and geographical proximity to clients and suppliers or the speed of service were rarely mentioned as a "competitive strength" (Daniels and Bryson, 2005:510).

Weaknesses cited by respondents included the reputation of West Midlands firms compared to London counterparts, the perception of the region (culturally and environmentally), discontinuities in regional economic planning and marketing, skills shortages and a lack of innovation due to "branch office service economy" (Daniels and Bryson, 2005:511). Some research would expect to find back office and branch plants located

in a regional study such as this, with higher order decisions taking place in cities at the top of the urban hierarchy (Britton *et al.*, 2004; Devine *et al.*, 2000; Sassen, 2001b).

2.2.5 Summary

The entrepreneurship and firm formation literature is mainly based on macro studies which aggregate sectors (manufacturing and service industries) (Braunerhjelm and Borgman, 2004; Fritsch *et al.*, 2006) and tend to concentrate on manufacturing (Belso Martinez, 2005; Wagner, 1994) or do not differentiate between them (Henley, 2007). This study examines marketing and PR industries in the West Midlands where there is likely to be some similarities with existing studies but many potential differences.

This study will reveal a plurality of entrepreneurs including 'innovators' within the sector and 'replicators' or individuals establishing already recognisable business types. The vitality of the sector and the levels of entrepreneurship are dependent on the prosperity of the regional economy and this suggests that the analysis needs to explore marketing and PR in the context of the wider economy. The size of the marketing and PR industry will provide some indication of the degree of localization that exists between firms based on the identification of local backward linkages. As well as this a vibrant local marketing and PR industry will be more likely to form a seedbed from which entrepreneurs can emerge and form conduits to knowledge spillovers in the firm formation process. A study of marketing and PR in the West Midlands should explore the extent that individuals are encouraged and aided by regional and national policies to help nascent and aspiring entrepreneurs.

There is a complex relationship between acts of entrepreneurship and economic prosperity but also the competitiveness and size of the sector. These factors need to be investigated to provide an accurate analysis of firm formation rates in the sector. The level of spatial concentration within the industry will affect the rate of entrepreneurship, therefore the concentration of marketing and PR activities within the West Midlands will provide a measure to suggest either a high or low entrepreneurship rate. The level of entrepreneurship activity can be used to indicate the competitiveness of the market for marketing and PR services and therefore the likelihood of the future success of those firms.

Most entrepreneurship studies are undertaken at the macro level using quantitative analysis of large data sets. This form of research is useful but some of the trends and patterns revealed require qualitative research to be conducted which can explore the role of individual behavioural factors. Thus the decision-making processes of individuals needs to be taken into account. Studies of individuals can explore in more depth the role of personal skills, education, previous experience, age, established networks and family background. Then the processes of opportunity can be investigated and sector and place specific patterns revealed and examined. This review of the entrepreneurship literature is useful but the manifestation of this, the firm, and the process of firm formation will provide important insights on the organisation and production of marketing and PR industries in the West Midlands, and it is to this that the next section now turns.

2.3 Building blocks to firm formation and inter- and intra-firm organisation

This section will focus on two key aspects of the firm formation process and the subsequent inter and intra-firm organisation: ICT and HBBs. These two factors that influence the firm formation process have been explored in the entrepreneurship and firm formation literature but they have not been examined in detail and in relation to firm formation and the life-cycles of firms. This section will review these literatures and explore the new inputs they can provide to present debates on entrepreneurship and firm formation.

2.3.1 Information and communication technologies

There are a number of studies that have explored the impact of ICT on the production, organisation and spatial distribution of businesses (Boiteux-Orain and Guillain, 2004; Britton *et al.*, 2004; Castells, 2000; Ekinsmyth, 1999; Friedman, 2006; Graham, 2000; Ramsey *et al.*, 2005; Sohn, 2004). There is also a set of literatures that have taken a broader analysis of the impact of ICT and focussed on adoption rates by businesses (Martin and Matlay, 2001; Southern and Tilley, 2000; Taylor and Murphy, 2004). Other studies focus on specific types of users, in particular Teleworkers (Stanworth, 1998; Sullivan, 2003). Goddard (Goddard, 1971) identified senior managers as having greater levels of contact with individuals beyond their own employers. BPS are characterised by high levels of outsourcing but most studies do not explore the role of ICT in the organisation of production (Bryson *et al.*, 2004; Illeris, 1994). There is still widespread speculation on the ability of ICT to provide the conduit to a 'flattening of the world' (Friedman, 2006). An advanced ICT network, along with 'falling' trade and political barriers has facilitated global trading by businesses and individuals

(Friedman, 2006). Others argue the opposite: whilst certain cities and regions may be connected to global ICT networks, many will be bypassed and peripheralised (Graham, 1999; 2000).

BPS employees sell their knowledge and expertise through parcels of time (Bryson *et al.*, 2004). Businesses selling tacit knowledge, embodied within employees, may potentially possess a greater flexibility for office location, both geographically and in their choice of premises. Furthermore, ICT offer the potential for businesses to be located in geographic patterns different from those observed at present. Goddard and Pye (1977) concluded, as early as 1977, that until land rents and government financial assistance became more generous, telecommunications, at that time could not facilitate daily office functions to be conducted at a level to encourage the relocation of offices beyond the South East of the UK. The advancements in ICT in recent decades have gone some way towards tipping the balance and encouraging businesses to relocate away from urban centres (Beyers and Lindahl, 1996; Beyers and Nelson, 2000; Ekinsmyth, 2002).

The geography of communications

The dawn of the 'telecommunications age' was viewed by some (Castells, 2000) as finally freeing businesses from geographical ties. Castells (2001:207) posits that the internet "redefines distance but does not cancel geography". Within the BPS literature, there has been an absence of work on the impact of recent technological advances. Sassen (2002) suggests that ICT has resulted in both increased centrality and dispersal: centrality because businesses cluster at key 'nodes' but dispersal because the 'nodes' are located across metropolitan

districts. Cities with specialisms within BPS are able to engage in global economic flows, but those outside the nodes are peripheral and disengaged from the global service providers and other multinational companies (Graham, 1999; Sassen, 2002). Malecki and Gorman (2001) are more pragmatic suggesting that there is a "complementarity between telecommunications and face-to-face communication".

ICT facilitates business operations and thus the geography of physical communications infrastructure impacts on the spatial distribution of firms (Grimes, 2003). A spatial divide in access to ICT has been observed particularly when examining the extent rural based SMEs engage with the digital economy (Grimes, 2003). Both Grimes (2003) and Castells (2001) highlight that the virtual economy may appear spatially unbounded, but in reality it is limited by the physical telecommunications infrastructures which themselves are controlled by economic cost and market demand. Indeed, Sohn (2004) argues IT may not facilitate dispersion because IT infrastructure is not spatially even, consequently "economic activities may be positively associated with the location and distribution of the IT infrastructure". Therefore, studies must measure the extent that previously isolated rural markets are now more porous with the advent of e-commerce particularly because one of the major reasons are the "significant barriers to low-cost high-speed internet access in many rural areas" (Grimes, 2003:188). Even so, other factors such as company size and market sector in which they operate and the attitude of the owner-managers also determine ICT adoption rates (Grimes, 2003).

ICT adoption and usage

ICT adoption rates by SMEs are significant because in Europe, for instance, 99 per cent of all EU enterprises are SMEs and in the UK they account for 40 per cent of GDP (Taylor and Murphy, 2004:317). Taylor and Murphy (2004:315) argue that despite governments promoting ICT and e-commerce as fundamental to continuing economic growth it needs to be seen "as a means to an end and not as an end in itself". ICT adoption rates are subject to differences by sector as well as geographical variations in their accessibility and adoption (Taylor and Murphy, 2004). For example a study of professional services in New Zealand found that firms were slow adopters for reasons such as: appreciation of benefits; ability to respond to customer and competitor practices; training employees to facilitate new technologies; orientation of business model and knowledge of Internet Based Technology (Ramsey and McCole, 2005). Taylor and Murphy (2004:328) suggest that future research into the role of ICT in the formation of new enterprises needs to examine entrepreneurs' personalities, include: "optimism, self-efficacy and creatively, and we need to more fully appreciate the workings of social networks".

It is clear that ICT has been effecting the functioning and operations of businesses for a number of years (Baines, 2002; Beyers, 2003; Castells, 2000; Goddard, 1971; Graham, 2000; Grimes, 2003; Taylor and Murphy, 2004). Early research focussed on the ability of ICT to enable efficiency savings and productivity increases in terms of how and the amount of work completed. More recently the focus has moved towards the impact of ICT on the formation of new and the modification of existing networks and linkages between business organisations (Castells, 2000). Whilst theorists are keen to explore and reveal the relationship

between ICT and business organisations it is clear that studies avoid a technological deterministic analysis: "the development of a new organizational logic which is related to the current process of technological change, but not dependent upon it" (Castells, 2000:164). Castells (2001:65) notes that by 2001 over 80 per cent of web based business was business to business (B2B) and "this implies a profound reorganization of the way in which business operates" and emphasises the key role of networks.

Since the 1970s there has been a structural change in the organisation of businesses which is characterised by a growth of SMEs, flexible production and a shift from vertical production systems within large business organisations to a more horizontal network (Castells, 2000). The horizontal network model is based on a set of core-periphery relationships (Castells, 2000). In this situation there is a "flexible system of strategy making" and "this cross-border structure allow small and medium businesses to link up with major corporations, forming networks which are able to innovate and adapt relentlessly" (Castells, 2000:177). Castells argues that ICT facilitates and enables increasing sophistication of the wider business model: "new information technologies are decisive in allowing such a flexible, adaptive model to actually work" (Castells, 2000:177).

ICT has encouraged an increasing sophistication, entanglement and embeddedness of firms both spatially and temporally. Consequently, Castells (2001:67) suggests that this produces the 'network enterprise' which is "a lean agency of economic activity, built around specific business projects, which are enacted by networks of various composition and origin". From this perspective it is clear that advanced ICT plays a crucial role in facilitating this

business model which brings together through networked interactions large businesses and SMEs.

Southern and Tilley (2000) highlight the complexity of ICT usage by SMEs and in particular, the differentiation between business sectors and firms by size, turnover and growth aspiration. They identify three types of SME in relation to their desire to utilise ICT: first are "low-end ICT users" characterised by a "rudimentary understanding of how ICT could be applied in the business" with ICT generally being used to undertake office administration functions (Southern and Tilley, 2000:148). Second are "medium-level ICT users", who have computers networked across the business with "Management Information Systems" in place and may use the World Wide Web and online banking facilities (Southern and Tilley, 2000:148). Last are "high-end ICT users" that demonstrate a complete or almost complete transference towards "digital electronic communications systems" (Southern and Tilley, 2000). This last category is likely to be working towards fully integrating ICT into every aspect of the business administration, production and delivery. The development of ICT will be heavily linked into the demands of the business sector and latest developments, in particular they cite marketing and PR companies as examples of such high users of ICTs (Southern and Tilley, 2000).

There is a need to explore adoption of ICT by firms as heterogeneous and not as a linear process (Martin and Matlay, 2001). Martin and Matlay (2001:407) identify various "blanket approaches" to encourage the adoption of ICT and the DTI ladder adoption model "represents both a limited and a limiting vision of government-inspired support for the ICT implementation and development" for small businesses in the UK. They argue that ICT

adoption initiatives need to be more discerning by taking account of "firm size, age, managerial structure and ICT adoption stages" (Martin and Matlay, 2001:399).

A study of the adoption of ICT by Scottish firms showed that it varies with the size, age, rate of growth, extent of exports, innovation and usage intention. The use, diffusion and adoption of ICT is "greater in larger and older firms" than in "smaller and younger firms" (Haugh and Robson, 2005:218). However, the diffusion of ICT is more rapid in firms that are growing as opposed to those that are declining and service firms are more likely to be using and engaging with ICT as opposed to manufacturing firms who are overall less likely to be doing so (Haugh and Robson, 2005). Haugh and Robson (2005) recommend that future studies should focus on examining the adoption and diffusion of ICT by sector.

A study of professional service firms in New Zealand found that there were a range of factors which influenced the extent to which businesses undertook e-business adoption (Ramsey *et al.*, 2005) including: understanding potential benefits; responding to customer and competitors practices; ability to train staff to operate new systems and technology; and lastly a business model structured and directed towards e-business, for example business with a local orientation were less likely to encourage e-business because clients could easily visit them in their physical office (Ramsey *et al.*, 2005:540). The study noted that marketers are forced to take account of online communications and this highlights the need for e-business adoption to be led by the private sector and government policies can only influence to a point. ICT as a means to an end is inferred by Wood (2005) who argues that regions need to adapt to changing markets and this may increasingly be facilitated by the use of new technologies.

Thus whilst adoption of ICT is important it will not produce regional innovation alone but must be coupled with knowledge, skills and expertise.

Beyers and Lindahl (1996) examined rural producer service providers in the USA and the role of ICT in facilitating business operations. They identified "Lone Eagles" (export orientated sole proprietors) and "High Fliers" (export orientated business organisations with at least one employee). Founders were typically in their 30s and 40s and had chosen rural areas for their businesses for personal reasons including quality of life and proximity to the proprietor's residences. Beyers and Lindahl (1996) found that although face-to-face contact was shown to be integral to business relationships, new ICT was modifying interactions between business associates. ICT was used in conjunction with other methods of communication to deliver services. Part of this included differentiating between types of work and communications used. Simon (1960) identifies two types of communications: programmed and non-programmed. Programmed decisions are standardised, "repetitive and routine" and often purchased from individuals extraneous to the business. In contrast, non-programmed decisions are "novel, unstructured, and consequential" work (Simon, 1960). This work predated the significant advancements in computer and Internet technology but provides a clear differentiation when exploring the impact of ICT on the organisation, production and delivery of services. There is a need to measure the ability of ICT to facilitate communication beyond just codified knowledge.

Synthesising academic research into a regional ICT plan the West Midlands Regional Development Agency in the UK has formulated the Digital West Midlands strategy (AWM, 2006), in which ICT, in line with Taylor and Murphy (2004), is incorporated as a means to an

end. The Digital West Midlands strategy is a regional reflection of national policies. The report notes:

> "ICT plays a critical role in society, and has a direct economic impact on everyone, It is a tool for caring, connecting, educating, employing, entertaining, informing, monitoring, paying and supporting its businesses and citizens" (AWM, 2006:2).

This indicates that: first, the internet and ICT play a significant role in the business and pleasure aspects of the majority of people's lives; and second, for many of these activities ICT is the facilitator and without it many groups within the community would be excluded from important life opportunities. Some of the assumptions of the report require further investigation but that is not the purpose of this thesis.

The report outlines four themes, many of which aim to counter the problems revealed in other research (AWM, 2006). Theme 1 ensures that a digital divide is kept to a minimum and this will be achieved through universal broadband coverage throughout the region over a range of media platforms. Theme 2 encourages an increase in the uptake of learning technologies as part of a region wide policy to meet the needs and enhance the regional skill base. Theme 3 highlights the diversity of the regional ICT network in terms of the opportunities it presents. This third theme aims to bring together the public and private sector in new and dynamic ways to increase the efficiency and modernisation of public sector organisation and production. Theme 4 focuses back on to the private sector and the opportunities ICT represents for industry. This theme aims to disseminate and offer practical help and advice to firms wanting to or unsure of the benefits of e-business by providing pathways to augmenting adoption rates and concomitant benefits associated with this such as

increasing sales and reducing costs. Digital West Midlands appreciates the need for a universal physical infrastructure but the real objective is achieved by aiding both the public and private sector to engage with the digital economy and unlock the potential it offers.

Form of ICT related employment

So far these studies have provided an overview of the impact of ICT on SMEs. The following section will examine the effect ICT has had on individuals, in particular Telework. [5] Gillespie *et al* (1995) identified five aspects of telework though none of these mentioned HBBs and only one mentioned self-employed workers and these were combined with employees who undertook "paid employment from home" (Gillespie *et al.*, 1995:235).

UK based research has mainly focused on teleworking and homeworkers or the home-based teleworker (Stanworth, 1998). There are three groups: teleworkers who work at home for some of the time; teleworkers who work at home all of the time; and finally "freelance telehomeworkers" (Stanworth, 1998:57). Importantly, people in this last group are identified as members of professions which are traditionally freelance, but have recently become reliant on ICT, and others who have become teleworkers as a cost-cutting measure by employers and also as a result of outsourcing (Stanworth, 1998). More recent research has conducted a comparative analysis on the location and use of various ICT equipment by workers in different countries, but has not undertaken specific industry or firm analysis and hence there is a lack of emphasis on the heterogeneity of telework (Haddon and Brynin, 2005).

[5] Telework is work requiring the use of ICT and taking place in a decentralised location away from the employees office (Stanworth, 1998). This should not be confused with 'telehomework' which is home-based work requiring the use of ICT (Sullivan, 2003).

In the UK there were 2.2 million teleworkers in 2002 and 1.8 million of these could not perform their work without a telephone and computer. Teleworkers represent 7.4 per cent of all those in employment (Hotopp, 2002:311).[6] Beyers (2003:452) suggests "a huge gap in knowledge of how the Internet, Intranets, and e-commerce have impacted the production and delivery of producer services". The impact of the Internet, including email and the exponential jump in bandwidth capacity must be coupled with an understanding of how these new facilities are used and for what purpose. As office environments are reconfigured some employees split their time between the office and other working spaces and are accustomed to 'hot-desking' and work-from-home-days (Baldry, 1999; Duxbury *et al.*, 1996; O'Neill and McGuirk, 2003; Rubalcaba-Bermejo, 1999).

2.3.2 Home-based businesses

Harvey (1990) argued that flexible accumulation signified fundamental changes in the production and delivery of goods and services. Not least large corporations have outsourced many service activities (Damesick, 1986; Tschetter, 1987), creating favourable circumstances for self-employment and an augmentation of sub-contractors and agency staff:

> "The transformation in labour market structure has been paralleled by equally important shifts in industrial organization. Organized sub-contracting, for example, open up opportunities for small business formation, and in some instances permits older systems of domestic, artisanal, familial (patriarchal), and paternalistic labour systems to revive and flourish as centrepieces rather than as appendages of the production system" (Harvey, 1990:152).

[6] These teleworkers included: those mainly home-based in their main job, those for whom home is their main base but work from other sites, and lastly, workers who were based at home for one day in the reference week, but who are not usually based at home (Hotopp, 2002).

A manifestation of this has been the increase in entrepreneurial activities and a burgeoning of small enterprises. This has been proven in large studies identifying self-employed individuals operating as sole-traders (Henley, 2005). There is a need to bring together the entrepreneurship and firm formation literature with the literatures exploring the places of businesses such as the home and the methods used to facilitate this e.g. ICT. This will permit an examination of business location and interactions between clients and other firms. As businesses grow this transition requires careful study to investigate the role of the home in these business processes. For example, studies have indicated that businesses are either founded near the home or that the home provides other benefits, not least financial (Beyers and Lindahl, 1996; Ekinsmyth, 1999; 2002; Fritsch *et al.*, 2006; Henley, 2005; Keeble and Nachum, 2002). It is interesting to note that the ways in which this latent resource is potentially harnessed by individuals forming firms has not yet been properly examined.

Studies document the spaces of production but rarely go on to examine them in detail. For example Keeble and Nachum (2002) explored clustered and decentralised small consultancies in London and Southern England and found that the primary reason (cited by 55 per cent) for decentralised enterprises locating there was their proximity to the founder's home. Beyers and Lindahl (1996) researched rural US firms and identified 13 sole proprietors and 74 firms with between one and 10 employees, with 82 per cent and 56 per cent respectively citing proximity to the owner's, the founder's or the manager's residence being a key factor in the location decision. Fritsch *et al*. (2006) examining industries between 1979 and 1989 in Germany found that businesses are usually established near to where the founder resides. None of these studies indicate whether these businesses are located in the founder's home or the factors which may have influenced the choice to locate at home.

Ekinsmith (1999) researched professional freelance magazine workers working in the publishing industry in the greater London area. The majority of freelancers were working from home with a proximity to primary clients being important to facilitate face-to-face meetings. Outsourcing from the perspective of the client was easy because the freelancers were frequently previously employees (often citing redundancy as their 'release' from employee status) and their residential locations had not changed. However, Ekinsmith (1999) found that new technologies are starting to alter the locational geographies of freelance publishing workers.

Research specifically examining HBBs has mainly been undertaken in Australia, reflecting their importance within the national economy (Jay, 2003). HBBs comprise the largest component of micro-businesses in Australia (Jay and Schaper, 2003), but relatively little attention has been given to the size, location and factors leading to the establishment of these HBBs (Stanger and Woo, 2001). What does exist focuses on HBBs in the 1980s and in Australia (Stanger, 2000a). The following section will review four studies of HBBs, three based in Australia and one in the UK.

Peacock (1994b) interviewed 200 owners of HBBs and found that 76 per cent of the sample firms were male owned, an equivalent number were working full-time, and 55 per cent were sole proprietors (Ekinsmyth (1999) found a predisposition toward women freelancers in the UK publishing industry). Of these only 31 respondents were situated in HBBs situated in BPS industries (Peacock, 1994b:33). Reasons cited for establishing an HBB included: low costs (55 per cent) and with convenience (20 per cent) and family reasons (18 per cent) being cited less frequently. The majority of businesses, 57 per cent, were over five

years old and "there is little evidence to show that that HBBs are so tenuous that their longevity is less than that for SMEs" (Peacock, 1994b:34). This indicates that the HBB is a viable long-term business model, and furthermore that 61 per cent of businesses less than three years old were keen to expand compared to only 25 per cent enterprises more than three years old.

Walker and Brown (2004:582) conducted a single industry survey on the Property and Business Services Sector, a sector which accounts for 20 per cent of all small businesses in Australia. There was a mix of home-based and non HBBs: of the 281 businesses in the survey, 100 were home-based and employing up to five employees and 126 non HBBs employing up to five employees (Walker and Brown, 2004:583). Owners were driven by money but often non-financial motivations such as "personal satisfaction, pride and a flexible lifestyle were the most important considerations" were influential (Walker and Brown, 2004:583-584). The survey did not include details on clients or the reasons for establishing a HBB. Instead the analysis concentrated on analysing all businesses cumulatively and not on analysing according to location of the business.

One of the few studies of HBBs in the UK examined freelance media workers in the North-East (Baines, 1999). Special attention was given to home-based freelancers reliant on ICT to conduct their business (Baines, 1999). Nearly two-thirds of respondents were male and similar numbers of respondents had worked previously in media companies, whilst a third had been made redundant. The research explored how the group of mainly home-based enterprises operated rather than why they had been established. Most respondents were sole traders or in family businesses and hired casual labour but were unlikely to be employers.

Even so, up to 50 per cent of respondents discussed collaboration with other parties and these were frequently previous contacts or found through reputation and industry knowledge (Baines, 1999). Regular access to a personal computer was cited by 93 per cent of respondents but regular access to a modem (63 per cent) or the Internet (49 per cent) was lower and demonstrated that ICT was not essential (Baines, 1999). What is interesting to note is that computer equipment would appear to be essential, but work can still be delivered and returned via a hard disk in the post. However, this research took place a decade ago and there have been considerable changes in the use of ICT since. One of the main concerns with this research is a focus on the place of work rather than the industry sector. The research does not investigate the nature of relationships with clients and how these enterprises gain clients.

2.3.3 Summary

This section has drawn on two aspects of the firm formation process which have not been properly accounted for within the entrepreneurship and firm formation literature: the role of ICT and HBBs. There is also a need to uncover the impact of new technologies on the sector as well as the markets in which they engage and the impact of privatization, deregulation and outsourcing on the opportunities available.

Research into new technologies has indicated that there are varying ICT adoption rates but marketing and PR are likely to have both extensive and intensive usage of ICT. Adoption rates are dependent on the business model and the owners/senior managers knowledge and business requirements. The success of businesses has so far been linked to the wider economy in which the business operates. Once again, there is a need to undertake a

qualitative survey to explore the growth aspirations of the firm and to explore how older firms have achieved or failed in the process of expansion. Indeed, the West Midlands regional economy is full of dichotomies: rural and urban areas, level of prosperity and education levels which will all impact on the rates of firm formation and this study needs to take into account.

In addition to the decision-making processes of the entrepreneur the factors influencing the judgements of established businesses and their owners regarding premises and location must also be explored. Regionally-based studies have indicated that service industries demonstrate a greater propensity for spatial dispersal than manufacturing industries. The limited research on HBBs and teleworkers provides some overview of the processes that are potentially driving dispersal, though the extent and impact of this have yet to be seen (Felstead *et al.*, 2002; Haddon and Brynin, 2005; Jay, 2003). Existing research is either inconclusive or lacks the depth of study required by sector and at the level of the firm (Jay, 2003; Peacock, 1994a; Stanger, 2000b; Stanger and Woo, 2001). There is a need to view the use of ICT as a means to an end and therefore a deep investigation and pragmatic analysis needs to be undertaken. This will be pertinent in a region with an ICT strategy achieving nearly universal broadband coverage at the time of the research.

There are four problems with the existing literature on HBBs (Good and Levy, 1992; Peacock, 1994a; 1994b; Stanger, 2000a; Stanger and Woo, 2001). Firstly, many studies focus on researching the form and characteristics of HBBs, these studies contextualise these enterprises in relation to the SME sector as a whole. Secondly, studies are not usually sector specific and include a range of different industries. This means that studies are almost invariably general in their findings, and do not provide sector specific conclusions. Thirdly,

because these studies were completed more than a decade ago, advancements in modern communications have not been addressed. Lastly, by carrying out research that focuses solely on HBBs, it is difficult to ascertain how many businesses develop further and move to non home-based premises.

The next section of this review will now turn to the organisational dynamics of firms. It will explore the third strand of literature and provide a foundation upon which to explore the organisation and production of marketing and PR industries in the West Midlands.

2.4 Organisational dynamics

This section begins by examining the embeddedness of firms and their linkages at a range of spatial scales. It then explores boundaries between firms and some of the issues arising from the plurality of firm types. Lastly, some theories on the boundaries and embeddedness within and between firms will be discussed with special attention placed on Segmentation Theory as a useful model for conceptualising interactions between businesses.

2.4.1 Systems of organisation and production and multiple inter and intra-firm boundaries

The growth of SMEs and the subsequent complex sets of relationships between firms has been fuelled by the growth of producer services partly fuelled by the externalisation of services (Damesick, 1986; Gershuny and Miles, 1983; Tschetter, 1987; Wood, 1991). This has produced a complex web of inter- and intra- firm relationships (Ekinsmyth, 1999; 2002; Grabher, 1993; 2002a; Johannisson *et al.*, 2002; Leslie, 1997). The plurality of boundaries is

exacerbated by the transformation in the organisation of production which has taken place since the 1970s (Dicken and Thrift, 1992). Consequently, there are many debates on the impact that these changes have had on the boundaries between businesses which work closely together. Some argue that boundaries become blurred and there is a need to appreciate to what extent firms are embedded within their local and regional economies (Oinas, 1999; 2006) whilst others do not think that boundaries are blurred (Markusen, 1999; Oinas, 2006).

It has long been acknowledged that producer services are intermediate providers as well as meeting final demand (Goe, 1990). Agglomerations of producer services, are complex with some firms heavily linked into local corporate networks and others orientated towards export markets (Ettlinger, 1997; Goe, 1990; O'Farrell and Wood, 1998). The plethora of SMEs led some observers to identify a polarisation in service economies between them and large transnational corporations (TNCs) and multinational corporations (Wood, 1990). This is confirmed in a series of studies into producer service SMEs in the early to mid 1990s (Bryson *et al.*, 1993a; Bryson *et al.*, 1997; Keeble *et al.*, 1991; Wood *et al.*, 1993) which found that business service firms comprised the main component of growth in small service firm sectors in the 1980s (Bryson *et al.*, 1993a). Also, Leslie (1997:1018) found that the Advertising "industry is increasingly polarized between large global agencies … and small, flexibly specialized agencies" and the form of firms is far more heterogeneous. The issue of the role of small firms in the economy polarised academic debate in the 1980s and early 1990s (Ettlinger, 1997). Empirical studies examining the role of SMEs and their interactions and linkages with the rest of the economy, including large firms led observers to explore models which incorporate all firms (Ettlinger, 1997). This analysis now turns to some of the early studies exploring the form of linkages between firms.

A study in 1990 found 83 per cent of all market research companies registered with the Market Research Society employed 12 or less professional staff (Bryson *et al.*, 1993a:121). However, the clients of most of the SME were large and often blue-chip companies (Bryson *et al.*, 1993a; Bryson *et al.*, 1997). This evidence suggests that there are likely to be complex and asymmetric power relationships between enterprises. This is partly confirmed in more recent studies into freelance media workers (Ekinsmyth, 2002; Fletcher, 2006).

A review of studies into the advertising industry is a useful starting point for the present study on the marketing and PR industries. Observing the advertising industry Leslie (1997) investigated how firms interact and found that larger firms have become more flexible, partly because of the burgeoning of smaller agencies which have had an impact on market share (Leslie, 1997). Also, clients are different and there are "concurrent processes of bundling and unbundling" of accounts (Leslie, 1997:1035). Leslie (1995; 1997) uncovered sectoral nuances and the need to "examine image inputs in production (and) the role of new technologies in restructuring" (Leslie, 1997:1035).

Project teams are often central to business production and organisation in advertising. Grabher (2002b) found professionals were part of dense interwoven networks and membership of these elite groups was based on an individual's reputation and quality of work. The groups appear more robust than the relationships between employees within agencies (Grabher, 2002a:257). The project teams form and dissolve as they are required and spatial proximity is crucial so that workers can socialise and network outside office hours (Grabher, 2002b). Despite this, sometimes workers are placed in project teams comprised of

internationally located members and relationships can be awkward, because of a lack of face-to-face interaction. Grabher (2002b:258) found this is overcome through the spatial confines of the Soho 'Ad Village', even so local networks do not relegate "inter-organisational ties on international and global business relations" to a less influential position. It is also necessary to consider project teams formed by contractors who sub-contract elements of a project to other small specialist firms, cooperating together to complete the project. Lundin and Soderholm (1995) argue that this system of production results in a range of inter-firm dynamics.

In common with Grabher (2002a; 2002b), Ekinsmyth (2002) found that social networks and project work were key aspects of contemporary production systems within the publishing industry. Ekinsmyth (2002:229) argues that the peripheries of firms are blurred because of the importance of these 'inter-personal and inter-firm relations". This was developed by focussing on the activities and interactions of freelancers. Ekinsmyth (2002) noted that business risk is transferred from the firm to the freelancer producing asymmetrical relationships. Complex relationships that develop as "notional friendships" underpin a veneer of "personal relationships" which permit senior employees "to make unreasonable requests" of freelancers (Ekinsmyth, 2002:239). The primary element of uncertainty and unequal relationships is in the flexibility that is created by firms who pick and choose freelancers to facilitate their requirements.

Similar to Grabher (2002a; 2002b) Ekinsmyth confirms that more work is given on the quality of previous assignments but finds that freelancers work the same hours for less money and employment security. Also despite a loosening of geographical ties "even with today's technology there are still powerful reasons why a geographically concentrated

industry and labour force are a necessity" (Ekinsmyth, 1999:364). It would appear that the impact of ICT on business organisation and production is complex and further examination is required to provide clarity.

As well as face-to-face contacts, regular telephone and email contact is vital between the firm and its clients (Faulconbridge, 2006). Virtual relationships were consolidated by workers travelling to meet clients which "nurtures and reinforces trust, reciprocity and mutual understanding that already exist in relationships formed through virtual means" (Faulconbridge, 2006:536). Thus ICT can partly aid relationships, either forming the first steps before people meet or cementing existing relationships when regular face-to-face meetings are not possible.

2.4.2 The multiple boundaries of the firm and embeddedness

The growth of an economy revealed by appreciating how different firm types "mesh together commercially" (Taylor, 2006:4) and in this instance the firm is the "basic unit of the economy" from which production emanates and on which economic forces converge (Taylor, 1984). The firm orchestrates the production system and the relationships between firms hold the answers to understanding it (Dicken and Thrift, 1992). Hence, the relationships between firms are complex, not least because of the variety types:

> "From transnationals to small firms, corporations to branch plants, to subsidiaries and joint ventures, subcontractors to franchisees, sole proprietorships to partnerships, and manufacturers to services providers and retailers" (Taylor, 2006:3).

This provides some indication of the complex set of relations and multiple boundaries that exist between business units. How they interact and function is made more complex because of the emphasis placed on the role of the individual (Faulconbridge, 2007; Grabher, 2002a; 2002b; Lee *et al.*, 2004). However, how "individual firms both exercise and cope with the inequalities of powerfulness and powerlessness that bind them together" must be examined (Taylor, 2006:4).

Classical economic theory argues that the market place is regulated by transaction costs and this decides a new supplier/client relationship (Dicken and Thrift, 1992). This view has been overtaken by the need to analyse the supplier/client relationship beyond purely market forces to appreciate the true dynamics balance of power (Dicken and Thrift, 1992). Cowling and Sugden (1987:58-59) suggest, it is necessary to uncover the essence and nature of control and how it is articulated within the transaction dyad to identify the party at the "centre of strategic decision-making". Cowling and Sugden (1998) have elaborated upon their initial research and they are pragmatic in their understanding of supplier/client transactions. They analyse the decision-making processes in large corporate firms, but the basic principle of their argument transcends business size. They stress the need to examine the "substance of a transaction" beyond just cost (Cowling and Sugden, 1998:72) and therefore the role of individual relationships.

The analysis should focus on the key moments in the relationships between individuals managing transactions. But this has always concerned classical economists who fear the Hobbesian concern of malfeasance and deceit clouding judgement, but Granovetter (1985) argues that the importance of the relationship inherent in business transactions and

decision-making reinforces the need to examine social and cultural networks, relationships and familiarities. Markets are subjective and not self-regulatory, supplier/client transactions are not free from influences that may place pressure, beyond standard economic exchange, upon the relationship. Indeed this has led some to suggest that the demise of "formalised control systems", and the rise of trust relationships and informal contracts means a "moral landscape has replaced a legal one" (Taylor and Bryson, 2006). Beyers (2005a) also emphasises the importance of social networks within networks of service production and delivery, particularly when examining outsourcing. Outsourcing results in the interaction between two separate businesses, requiring skilful diplomacy, bargaining and agreement.

The multiplicity of firm models (Taylor, 2006) along with inter-firm alliances have led some to argue that the boundaries of the firm have become porous and are difficult to define (Oinas, 2006) or as Nooteboom (2000) argues 'fuzzy'. Oinas (2006) suggests that the firm has many different boundaries, each is identifiable. New studies need to investigate these different, but complex boundaries (Oinas, 2006). The boundaries between firms may appear blurred and indefinable because of the role of social networks and the seamless movement between personal and business life (Saxenian, 1994). Granovetter (1985:504) points out that "most (economic) behaviour is closely embedded in networks of interpersonal relations". Dicken and Thrift (1992:285) have tried to clarify the situation and refer to Cowling and Sugden (1987), arguing that the 'firm' is a network of firms "controlled from one centre". The boundary is formed where centralised control ends (Oinas, 2006). This is useful when conceptualising the increased use of freelancers and the creation of multi-firm project teams.

Markusen (1999) notes that a firm's boundaries are not fuzzy and the point at which one firm ends and another begins is revealed if a legal view of the firm is accepted. Markusen (1999:878) notes: "the boundaries of a firm are, ultimately, not at all fuzzy – they are written down in asset, cost and revenue statements that owners and managers, whether private or public, scrutinize carefully every quarter". Witt (2004:409) argues that "sociological versions of entrepreneurial network theory … are oversocialized" and "economic motivations" cannot be excluded.

Dicken and Malmberg (2001) suggest that a firm's boundaries alter depending on whom it is engaging with. Oinas (2006) has identified five distinct areas which relate to the boundaries of a firm and include: (1) "with the broader social environment"; (2) "with local economic systems"; (3) "with employees"; (4) "with network partners"; (5) "with markets" (Oinas, 2006). Consequently, Oinas (2006:56) argues the need for a theory to explain "how, why, and where firms maintain boundaries in relation to different external entities". There is a need to provide more evidence of the boundaries between firms. Araujo *et al.* (2003:1257) find that firms boundaries expand when accessing "complementary capabilities" using "complex interfirm relationships" to trade "indirect capabilities mutually specialised to relevant partners".

By accepting the role of social networks for facilitating the organisation and production of firms enables the analysis to be taken a step further to address the issue of embeddedness. Granovetter (1985:481) grappled with this when investigating "how behavior and institutions are affected by social relations". No longer peripheral, this debate has become "a powerful model of local economic growth" (Taylor and Leonard, 2002:1). It provides the

link between "sociological and economical accounts of business behavior" (Uzzi, 1996:674). This is supported by empirical studies which have begun to expose the form and function of some of the social networks (Faulconbridge, 2007; 2008; Fletcher, 2006; Grabher, 2001b; 2002b; Graham, 2000; Lawton Smith *et al.*, 2005; Markusen, 1996) as well as research which highlights 'clusters' (Porter, 1998; 2001) and regional characteristics (Florida, 2002c; Hall, 2001; Markusen, 1996). There are four forms of embeddedness: first, 'cognitive', which is the "bounded rationality and place-based knowledge"; second, 'cultural', emphasises work functioning affinities between businesses in a locality; third, 'political', the impact of 'non-market institutions' on the success or failure of a firm. Fourth, is structural embeddedness which, is at the core of the embeddedness thesis. Structural embeddedness examines and reveals how businesses are integrated into "local, place-based networks that facilitate and promote information exchange and learning" (Taylor and Leonard, 2002:2).

Johannisson *et al.* (2002:301) identified three types of embeddedness including: "first order embeddedness (firm-to-firm embeddedness); second-order embeddedness (firm relations to social and economic institutions) and third order embeddedness (firms indirectly being related through social and economic institutions)". Similarly, Grabher (1993:8-12) defines structural embeddedness as four key characteristics: (1) 'reciprocity' refers to ongoing transactions between firms that are interlinked. (2) 'Interdependence' refers to strong inter-firm relationship enabling them to share knowledge and information to competently fulfil contracts but which cannot be calculated as a transaction cost (also cited by Uzzi (1996)). (3) Loose couplings enables firms to work very closely together and lend labour within formal interaction systems. (4) Asymmetric power relations whereby "collaboration and cooperation

within networks (is) undermined by practice of dominance and exploitation" (Taylor and Leonard, 2002:3) (also cited by Dicken and Thrift (1992)).

The embeddedness model is essentially inclusive and enables analysis of large corporations along side SMEs (Taylor and Leonard, 2002) this is in contrast to, for example, the New International Division of Labour thesis (Frobel *et al.*, 1980). However, one more caveat should be included in the embeddedness model, the notion of inclusion and exclusion. The embeddedness model demonstrates the need to divide businesses so that the linkages and relationships between them can be revealed. But, whilst local economic systems 'include' they also 'exclude' and this must also be examined (Taylor and Leonard, 2002).

The growth of BPS firms has led some to call for more research into the linkages and inter-firm relationships between producer service firms so that researchers can "begin to understand the role of socially constructed relationships in their commercial activities" (Search and Taylor, 2002:151). Search and Taylor (2002:153) explored the embeddedness of service firms and found that SME producer service firms "have stronger, locally embedded relationships with suppliers" whilst the branch offices of multisite companies have "market driven supplier relationships" orchestrated by head offices. Suppliers are gained through recommendation, referral and the clients preference (Search and Taylor, 2002) and this suggests that suppliers may be the result of contacts established over time. Search and Taylor (2002) distinguish between locally owned firms and branch offices but they do not categorise firms by the location of clients although they do find that clients can be suppliers and *vice versa*. There is though, a need to explore their linkages beyond the local business community.

The level of embeddedness of firms has been investigated by Watts *et al.* (2006) who examined small metal-working firms in Sheffield. They found that the level of embeddedness of the firm is highly dependent on the owner-manager and the main variables which the firms embeddedness are dependent on include: education, the owner-managers attachment to the region and involvement in business institutions (Watts *et al.*, 2006). This is reinforced by Uzzi (1996) who argues that the extent to which individuals are involved in networks determines the potential opportunities that can be derived from the linkages. Uzzi (1996:694) suggests firms business model's are determinants of whether they nurture a close or arms length policy towards embedded competitive strategies: in practice a mixture of both is the most effective way of accessing their contacts networks. Madill *et al.* (2004) also found that the development of external relationships differs sectorally.

Taylor (1999) suggests a "gift economy" built on trust and reciprocity between individuals, within firms, which themselves are the legal repositories for "temporary coalitions". Thus, there is a need for recognition and investigation into "temporary coalitions" between individuals and inextricably linked with a "system of formal market exchange" (Taylor, 1999:17). This will frequently manifest itself in the process of firms forming, reforming and then dissolving (Taylor, 1999:17). O'Farrel and Wood (1998:124) exploring business services, found they "exhibit regional embeddedness within networks of geographically extended corporate relations". They note that local concentration is enhanced *via* "development of distant markets in other regions and abroad" but telecommunications cannot sufficiently maintain relationships alone (O'Farrell and Wood, 1998:124). Thus more research is required into firm-client relations and in particular the role of joint ventures and other forms of inter-firm partnerships (O'Farrell and Wood, 1998). Britton (2004) classified

manufacturing firms according to whether they were single plant or multiplant (with more than one site) and found that the latter were more likely to export. The business model was crucial, including whether the firms actively sought international markets, if they did they were more likely to have inputs from international suppliers (Britton, 2004).

2.4.3 Business organisations as elements of a segmented economy

The BPS and firm literatures demonstrate that there are a variety of different types of business organisation and the ways in which they interact are complex. Some firms are involved in backward linkages in the production process whilst others are part of the forward linkages and some firms are involved in both elements. Furthermore, the entrepreneurship and firm formation literature has indicated that firms evolve, and the life-cycle of the firm is varied. Some enterprises expand and take on more employees whilst others remain small and ultimately die. Firms evolve over time and through space and there is a need to analyse firms holistically and within that, spatially and temporally. Rathe and Witt (2001:332) note:

> "A newly-established, small entrepreneurial business clearly differs from a large, well-established corporation although the roots of the latter can usually be traced back to the former type".

There are multiple types of business organisations (Taylor, 2006), they need to be categorised and their subsequent evolution analysed along with inter-firm interactions. A framework facilitating this is provided by segmentation theory, which was introduced to geography by Taylor and Thrift (1982; 1983).

Segmentation theory facilitates an analysis of business organisations in the context of the wider economic environment and does not exclude enterprises from study. Segmentation theory is partly developed from the application of dualisms to an economy (Taylor and Thrift, 1983). By viewing business organisations holistically and the economy as a whole "the dualistic economy does not consist of two closed systems, but rather of a set of interrelated systems" (Taylor and Thrift, 1982:1609). Berger and Piore (1980) note that dualisms were conceptualised as modern and traditional economic structures working concurrently and importantly the two systems are separate within the society. The concept of a dualism assumes that economies develop on a linear trajectory even though some elements of the economy will lag behind to retain the dualism (Taylor and Thrift, 1982; 1983).

The use of the word 'dualism' is misleading because it assumes only two, the segmented economy assumes a number of segments (Taylor and Thrift, 1983). Business organisations are split between large business organisations and smaller firms and within these there are sub-categories or further segments (Taylor and Thrift, 1982). The small business segment is comprised of three categories: laggards, intermediates and leader small firms. Laggards are small independent organisations which are resilient within difficult economic conditions but effectively stand still and are therefore in decline (Taylor and Thrift, 1982; 1983). Laggards can be split again into craftsmen and satisfied firms (Taylor and Thrift, 1983). The satisfied firms are purposefully kept small and their business model is in direct contrast to the "systematic and bureaucratic managerial" system which the proprietor may have previously been working within (Taylor and Thrift, 1983).

Intermediate business organisations are generally older and more established firms and frequently occupy a niche market. The intermediate group of small firms includes a loyal opposition sub-category which are single-product or single-market firms and they plug gaps in the market left by larger business organisations. There are also satellite firms and within this a subcontracting segment which has a high turnover rate. Subcontracting firms receive work from more established firms, if permanent then these firms are almost part of the large business organisation. Subcontracting firms represent the entry business model for most small firms and in their early years are dependent on one firm (Taylor and Thrift, 1982). Subcontracting firms are not taken over by large organisations because they survive from contracts. Subcontracting firms pay lower wages, provide flexibility for their clients. In turn clients can withhold payment and if the supplier goes bankrupt, quickly find others to take their place (Taylor and Thrift, 1983).

Leader small firms, the third category, are reliant on "personal innovation and invention in terms of a new product or process, a new market, or a new service" (Taylor and Thrift, 1982:1607). They are the most volatile in terms of birth and death rates, but have the greatest potential for growth into large business organisations. This progression will be hindered by access to capital, they are most susceptible to takeover and they face fluctuations in demand; experiencing growth during periods of boom but fall quickly when economies enter recession (Taylor and Thrift, 1982).

There is fluidity within and between the segments, producing a dynamic theory which is useful when examining the long term development of an economy and society (Berger and Piore, 1980:2). Hayter *et al.*(1999) have developed the original theory producing the 'triad

segmentation model'. This has three main categories including: giant firms, large firms and SMEs. This approach acknowledges innovation as a "dynamic process" that "destroys as well as creates" and furthermore the triad model ensures that "innovation and related learning processes play a more central role" (Hayter *et al.*, 1999:440). Essentially the triad model further reinforced the importance of recognising segmentations within the economy by emphasising the "permeability of segment boundaries" (Hayter *et al.*, 1999:440).

Segmentation theory is useful because it shifts the emphasis from cost within exchange relationships. It acknowledges the role of power and therefore asymmetric relationships between business organisations and begins to:

> "Examine the geographical interrelationships between business organisations in an attempt to establish both the spatial form and the evolutionary tendencies of the power relationships that have developed between organisations" (Taylor and Thrift, 1982:1601).

Taylor and Thrift's (1982) research was embedded within the tradition of 'linkage studies', where research was based on neoclassical assumptions of business interactions.[7] The primary flaw in the linkage studies was researching business organisations against a backdrop of an "anonymous external environment" (Taylor and Thrift, 1982:1603). Taylor and Thrift (1982) emphasise the need to examine business organisations within their own environments and as "unequal participants in webs of interaction, that is, in *power networks* [sic]" (Taylor and Thrift, 1982:1603). Power between business organisations is "defined as the ability of one

[7] Taylor and Thrift (1982) categorise linkage studies into four key types: firstly, 'macrolevel studies'; secondly, 'static microlevel studies'; thirdly, 'dynamic linkage studies'; and lastly, the spatial manifestations of information flows within and between business organisations are studied, identifying the nature of tasks and the degree to which firms are tied into local contacts when they relocate (Taylor and Thrift, 1982).

organisation to control the resources necessary for the functioning of another" (Taylor and Thrift, 1982:1604).

Segmentation theory provides a framework which permits two things. Firstly, the operations and functioning of business organisations can be explored holistically. Secondly, the relationships and nature of interactions between business organisations can be investigated. Thirdly, and inline with Rathe and Witt (2001:346) the segmentation theory facilitates an analysis which examines how "firm organisations emerge and change over time"

Segmentation of front and back office functions

In the 1960s researchers observed the movement of office functions away from cities at the top of the urban hierarchy. Within the UK there was a geographical movement characterised by the relocation of functions from London to provincial centres or 'decentralisation' (Daniels, 1975). The motivations for the relocation were driven by cheaper office rents and purchase prices, lower operating costs in terms of rates and service charges, lower salaries which are not increased due to London weightings, less competition for labour, reduction in distances and commuting times as well as congestion levels and pollution. Significantly, service sector firms out-migrating from central urban areas are business activities and workers employed in "routine activities … considered easier to relocate than higher-order activities" (Daniels, 1982:73). Meanwhile front offices are characterised by important meetings and strategic planning processes remain in central London (Daniels, 1975). Furthermore, at this time it was noted that new communications technologies were and

would continue to facilitate the geographical relocation of offices (Castells, 2000; Daniels, 1975; 1982; Goddard, 1971; Goddard and Pye, 1977).

Globalization and the impact of continued advancements and sophistication of ICT has continued the inquiry into the spatial distribution of BPS functions (Boiteux-Orain and Guillain, 2004; Britton *et al.*, 2004; Sassen, 2001b; 2002). They contend that face-to-face interactions are still imperative and despite modern ICT important business functions which involve strategic processes rather than routine functions are centred on large urban centres. Back office functions are more flexible and can be relocated to provincial cities or other lesser central locations.

Traditionally the back office front office dichotomy has focussed on functions within one organisation. However, the huge growth in SMEs which frequently provide extra capacity and niche services are likely to represent the new face of back office functions. For example, some of the media workers studied are usually spatially decentralised and generally undertake functions for larger agencies or other media employers (Baines, 2002; Baines and Robson, 2001; Ekinsmyth, 2002). Thus, it may be the case that there is a segmentation of firms according to function by size and spatial location whereby back office functions are undertaken by small firms located in suburbs of cities or even rural locations. This form of outsourcing and subcontracting has been complicated and become more complex with modern ICT which has permitted firms specialising in specific routine functions to be established in locations around the globe (Beyers, 2005a). For example, Bangalore has become a centre for call centres as well as undertaking some accountancy functions for businesses located in the UK (Sudhira *et al.*, 2007).

The traditional segmentation of back office and front office functions both organisationally and spatially is less clear cut in the modern business environment. Indeed, the plethora of SMEs has led to the externalisation of some functions and these firms could be dispersed or perhaps home-based (Beyers and Lindahl, 1996; Bryson, 2008; Ekinsmyth, 1999). Furthermore, ICT has enabled information to be transferred long distances instantly and at very low cost (Beyers, 2003; Bryson, 2008). The segmented economy model suggests that small business organisations which are laggards or intermediate providers are likely to have spatially proximate clients (Taylor and Thrift, 1983) but this needs to be investigated in the context of modern communications and BPS organisations.

2.4.4 Summary

This third section has provided the last strand of literature which will be used to explore the organisation and production of marketing and PR business in the West Midlands. This section has reviewed studies which have explored aspects of the SME sector, including the growth of small businesses over the last 20 years. It is clear from the studies reviewed that there are complex linkages and interactions between individuals within firms and between businesses. Relationships may be personal networks of contacts built up over many years, whilst others are in the form of project teams both in-house and outside contractors. The embeddedness of firms can be at a range of levels; this study needs to explore these different levels and the form of the relationships. Studies are either general and review the characteristics of SMEs or they focus on one particular aspect e.g. freelancing.

There is a need for a study which develops a sector based approach and does not exclude businesses due to their size or type of business model. Indeed, if the true form and function of the linkages and embeddedness of firms is to be appreciated then this study must take a holistic approach to the sector, bounded only by the study area. Furthermore, there are sub-debates regarding the localization and concentration of businesses and the need for face-to-face interaction. A regionally based study which includes a large urban area will enable the interactions between rural and urban based businesses to come to the fore.

Key to this section and the subsequent study and analysis is the need for a temporal dimension which is missing from most studies. Empirical studies frequently take a 'snap-shot' of firms in time but it is necessary to investigate where businesses have come from and where they may end up. This will bring in the element of process as well as possible spatial movements over time. Businesses can then be viewed as interacting together and evolving. The concept of an 'organisational evolution' will help to provide clarity regarding how businesses grow and develop and how their interactions and relationships change over time. Segmentation theory is a useful concept which provides the temporal and spatial dynamism required to allow this study to explore the life cycle of firms along with their backward and forward linkages. Segmentation theory will reveal the multiple boundaries of firms enabling a deeper analysis of the nature of the relationships between firms sectorally as well as with clients and the form and function of potentially asymmetric relationships.

A profile of BPS organisations in this thesis can reveal their heterogeneity and recent studies have emphasised the inter-connectivity between business organisations and a segmented conceptualisation of the economy.

2.5 Conclusion

This chapter has set out to explore the extent that existing studies can explain how the growth, production and organisation of the marketing and PR industries are reflected in their spatial distribution. The focus has been on entrepreneurship and firm formation along with ICT and HBBs as elements of these processes not previously investigated in relation to entrepreneurship and firm formation activities. This section has paid specific attention to the boundaries between firms, the embeddedness of firms within local, national and international networks and lastly reviewed the segmentation theory as a useful tool for incorporating spatial and temporal analysis into the evolution of business organisations and their mutual relationships.

Each section of the analysis has revealed key gaps within the respective literatures. Thus the entrepreneurship and firm formation literature typically lacks any exploration of service industries, not least marketing and PR. In addition, it highlights the needs for studies that focus on one industrial sector and which are regionally based. Finally, existing research has mostly been undertaken at the macro scale using large data sets and it is necessary to disaggregate analysis to the level of the individual and in particular the interconnectedness of factors in the firm formation decision-making process. Even so this research will not specifically explore the role of gender, enterprise or labour market issues in the process of firm formation and entrepreneurship.

In particular the entrepreneurship and firm formation literature pays scant attention to the role of location and more specifically the premises chosen or used by individuals

establishing new enterprises. The existing HBB literature does not focus on one sector and has mostly been undertaken in Australia. Furthermore, how HBBs evolve over time and space is not investigated. HBBs need to be explored in the context of a single sector study and within present knowledge of entrepreneurship processes and in particular as part of the life-cycle of firms and their role within value chains including backward and forward linkages.

The final section provides the dynamic element to the previous two sections and they in turn elongate the exploration by including the processes of firm formation and entrepreneurship into the subsequent examination of business organisations. Thus, the boundaries of firms and their embeddedness can be investigated from their inception and start-up phase to their future development: whether that includes growth and expansion, a non-uniform life-cycle or the withering and dying of a business.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The emphasis that is placed on urban centres in BPS literature suggests that there is a need to undertake a study which includes organisations located beyond the city (Bryson, 2008). Furthermore, the literature review has indicated that there is a need to explore firm formation, organisation and production in the service sector (Search and Taylor, 2002) and there is also a need for sector based studies (Fritsch, 2008). If all businesses are to be included in a sector-based analysis so that the nature of business location and premises, as well as the growth and establishment of agencies can be investigated, appropriate data must be gathered. In particular, profile data is required on marketing and PR businesses in the study region which will permit organisations to be compared. The methodology must facilitate the collection of data that will inform and address the objectives developed from the literature review. Along with this, information must be effectively gathered that investigates how production is organised and delivery of services undertaken as well as the dynamics of the growth of marketing and PR agencies. This will require the use of survey instruments that are able to elicit deeper and more nuanced personal discourses.

The primary foci for this study are on the production, growth and location of marketing and PR services in the West Midlands Government Office Region (GOR).[8] The research design has been developed around the collection of primary quantitative and

[8] The West Midlands Government Office Region comprises the West Midlands Metropolitan County, Shropshire, Staffordshire, Herefordshire, Warwickshire and Worcestershire. Discussion of the 'West Midlands' or the 'region' is referring to the West Midlands GOR.

qualitative data which will enable the gaps within the literature, identified in the review, to be addressed. The chapter is structured into four sections. Firstly, the research design will be outlined. Secondly, there will be a discussion of the secondary data sources used. Thirdly, the construction of the telephone survey will be explored. Fourthly, the organisation and administration of the in-depth interviews is reviewed. The chapter will conclude with an evaluation of this multi-method approach.

3.2 Research design: a four phase process using a three stage multi-method approach.

The research process has involved a four phase approach. Phase one focussed on desk research and the exploration of secondary data sources which were used to identify the study area. Phase two was the creation and execution of a telephone survey, which gathered quantitative data and provided profiling data for marketing and PR businesses in the West Midlands. Phase three focussed on detailed interviews to compliment and enhance the telephone survey information with qualitative data. Phase four includes analysis and conclusions made using a mix of secondary and primary data.

A three stage multi-method approach was developed, representing phases one, two and three of the research process. Firstly, the study area and the industrial sector to be studied were identified using secondary sources. Secondly, primary data was collected in the form of a telephone survey, followed by depth interviews; these produced quantitative and qualitative data respectively (Table 3.1). Research into businesses, their service production, development and growth cannot be properly understood from sole use of either quantitative of qualitative

data sets (Robinson, 1998). Indeed, the use of just one will produce voids in the analysis and understanding of processes. These five phases will be examined in the next sections.

Table 3.1 Research methods used

	Quantitative	Qualitative
Secondary data	Yes	No
Telephone survey	Yes	No
Depth interviews	No	Yes

The next section will explore the secondary sources, discussing what and where they are, and how they have been utilised in the preparatory stages of the primary data collection process.

3.3 Phase 1: desk research

Secondary data (from the ABI) provided an awareness and background information on national and regional levels of employment and business growth and decline within industrial sectors. Trends at different spatial levels were an important part of the research because they provided some of the preliminary justifications for the project and enabled the study area to be defined. The secondary data was useful for two reasons: firstly, identifying the industrial sector that would be used in the study; and secondly, the research location studied. These two issues were resolved through the analysis of Annual Business Inquiry (ABI) (Table 3.2). These secondary sources provided data on the BPS sectors within the West Midlands. From this it was possible to identify those most interesting in terms of growth, size, geographic

concentration and location. Lastly a commercial database (Yell, 2006) was used to construct a sample frame of businesses within the study area. Postcode areas are a geographic unit common across all three databases and these facilitated comparisons between areas and datasets.

3.3.1 Identification of the study area

The desk research enabled the identification of the region and within that a sub-regional area which would be the focus of the study. Within the region a sub-regional 'hotspot' was revealed in which a number of factors appeared to agglomerate creating a dynamic environment with the highest incidence of firm formation. It was decided that a study of business development and organisation which explored backward and forward linkages in sectors not previously investigated would benefit from choosing a region in which the Marketing and PR industries were reasonably contained, but not necessarily insular. Therefore a study of Marketing and PR organisations in London, for example, was ruled out. This is because these sectors in such a large urban area are likely to be too large making it difficult to gain a representative sample which could then adequately reveal the dynamics and intricacies of relationships in the production and delivery of services.

Using the ABI data it was possible to identify a sub-regional hotspot characterised by a high number of employees and business units (Table 3.2). This is identified as including the counties of Warwickshire, Worcestershire, Solihull and Birmingham (Map 3.1). These locations had the highest number of employees in 2005 for 'other business activities' (which is indicative of BPS) and SIC 74.3 and 74.14 which largely represents marketing and PR

activities. These areas also have the highest amounts of business units in the region. The importance of this is demonstrated by calculating the mean size of firms by number employees. This provides an average which ranges between two and four employees for firms in those sectors which include marketing and PR activities. Hence, it can be expected to find a mix of small and large firms. The smaller firms are likely to represent young firms newly formed. This will facilitate an analysis of both small and large businesses.

Table 3.2 Employment change and ratio to business units, West Midlands 1998 - 2005

	'Other business activities'			SIC 74.3 and 74.14		
	Total employees 2005	Total business units 2005	Average employees per business unit	Total employees 2005	Total business units 2005	Average employees per business unit
Wolverhampton	8,587	1,173	7.3	429	148	2.9
Walsall	12,810	1,149	11.1	298	129	2.3
Sandwell	7,629	1,021	7.5	329	101	3.3
Dudley	12,841	1,586	8.1	823	208	4.0
Birmingham	64,726	6,309	10.3	4,050	918	4.4
Solihull	15,423	1,810	8.5	1,584	513	3.1
Coventry	15,004	1,657	9.1	1,025	253	4.1
Shropshire	6,941	2,007	3.5	887	423	2.1
Telford and Wrekin	6,659	908	7.3	404	162	2.5
Staffordshire	27,697	4,788	5.8	2,572	1,055	2.4
Stoke on Trent	8,373	787	10.6	240	85	2.8
Warwickshire	33,718	5,542	6.1	6,269	1,429	4.4
Worcestershire	27,147	4,385	6.2	2,504	1,112	2.3
Herefordshire	5,260	1,248	4.2	895	319	2.8
West Midlands	252,814	34,370	7.4	22,307	6,855	1.2

Source: Annual Business Inquiry Employees Analysis (1998-2005), Extracted from NOMIS, accessed 29th November 2007

This analysis is supported by Daniels and Bryson's (2002b) research into BPS in the West Midlands region in which they identified a dynamic sector within the central

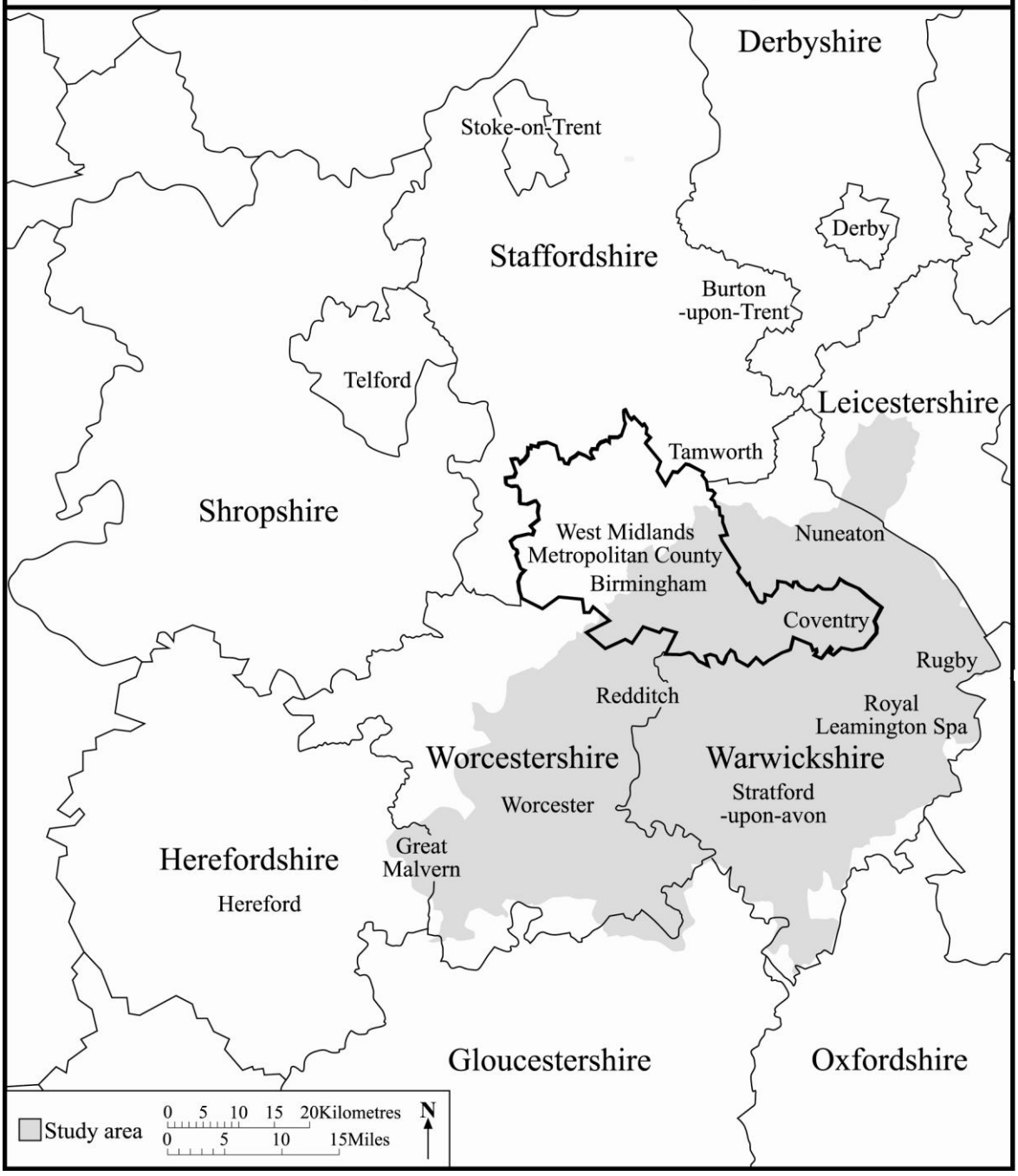
Birmingham area and a growing and significant cluster located to the South East of the conurbation focussed on Warwickshire. Furthermore, Birmingham's location between Manchester and London was no longer considered as a disadvantage, indeed it was an advantage for some businesses. They found that the BPS in the West Midlands are on a par with those in London and argue that there is a need for more targeted research on specific BPS sectors into their functioning and operations.

The economic and social vibrancy of the region and in particular the sub-regional hotspot identified here is reinforced by Bryson and Taylor's (2006) study of the West Midlands economy which confirmed the findings related to BPS in the region by Daniels and Bryson (2002b). They found that the conurbation was surrounded by a 'belt' which is where the major components of the region's economic activity are located. The ring of activity was named the E3I belt because it is produced due to a mix of economic, entrepreneurial, environmental and innovation factors that combine to make it a dynamic economic setting. The belt is widest and most evident in the south-east of the conurbation or the area which includes Warwickshire and this is also the location where new firm formation and entrepreneurial activity is most prevalent. This area has been identified as the sub-regional location for the present study.

The database of marketing and PR businesses compiled from the Yell.com database confirmed the concentration of marketing and PR activities in this area of the region found in the ABI data and the studies by Bryson and Taylor (2006) and Daniels and Bryson (2002b). This information confirmed that the study of Marketing and PR organisations in the West Midlands would focus on analysing business organisations located in Warwickshire including

part of the adjacent counties of Worcestershire, and the West Midlands Metropolitan County (Map 3.1). The following sections will discuss in greater detail the methodology.

Map 3.1 Study area within the West Midlands region



3.3.2 Postcode areas

Postcode areas were used as the unit of geographical comparison because of the continuity they provided between secondary data sources. The ABI utilises the PAF (Post-code Address File), and so data can be downloaded from NOMIS by postcode area.[9] Furthermore, the database chosen to provide business listings also permits searches via postcode areas. Previous research on BPS in the region has utilised postcode areas (Daniels and Bryson, 2002b) and other researchers have outlined the benefits of postcode areas because of their use in various databases (Butcher, 1988; Raper *et al.*, 1992; Wilson and Elliot, 1987). Unfortunately, Postcode units do not follow administrative boundaries, so a 'best-fit' policy must be deployed when attempting to use postcode areas for aggregating data into higher order units (Map 3.1).

3.3.3 The Standard Industrial Classification

One problem, beyond the control of the ABI survey, is the Standard Industrial Classification (SIC) codes allocated to business activities. The SIC codes have changed over time, making time series analysis difficult. In addition, some activities and industrial sectors are not individually categorised, and their data is therefore difficult to disaggregate from that of other industries. Thus, marketing and PR businesses are not readily identifiable as a group because they are incorporated within SIC codes 74.13 and 74.14. [10] These codes are not

[9] NOMIS is administered by the Office for National Statistics, and contains mainly government collected data on aspects of the labour market. The primary survey materials available include: Annual Business Inquiry (ABI).

[10] 74.13 is titled 'market research and public opinion polling', whilst 74.14 is a much larger category, titled, 'business and management consultancy activities' and includes 'PR activities', along with 'financial management', 'general management activities' and 'business and management consultancy activities not

comprehensive; they exclude marketing activities specific to marketing of farm products, and outbound call centres involved specifically in client focussed activities, such as direct marketing and market research (Cuffe, 2003). There are also a number of activities marketers will engage in as part of their work such as photographic activities, webpage design, data processing, some database activities and the production of television and radio advertisements (Cuffe, 2003). These are associated skills integral to marketing and PR activities but which are not combined under a single SIC 'marketing' code. Therefore, only an approximate guide to the characteristics and location of marketing and PR activities in the West Midlands, can be assembled using ABI data. Furthermore, some data are suppressed because they can be used to identify an individual business.

The ABI datasets were used to provide details on the employment breakdown of BPS at the regional and national level, with particular reference to business services (which include marketing and PR activities). The ABI is administered at the level of the business unit and includes statistics on employee numbers. The number of businesses in each postcode in the West Midlands was used to calculate location quotients (Appendix 1). These aided the identification of postcode areas which had an over- or under-representation of businesses in SIC codes 74.13 and 74.14. This information was used to determine the study area within the West Midlands GOR.

A further problem to overcome was the construction of a suitable database of contactable businesses. This was facilitated by using a commercial business database: the Yell Directory. The construction of this database will be outlined in the following section.

---

elsewhere classified'. These categories cover the majority of marketing and PR businesses; however this highlights the impossible task of quantifying the sector using government statistics.

Table 3.3 Business and professional services in the West Midlands: secondary data sources

Sources	Name	Contents	Strengths	Weaknesses
ABI [1]	Annual Business Inquiry	• Sample includes approximately 78,000 businesses each year. • Sample stratified by industry, using Standard Industrial Classification SIC 92/ SIC 2003, and six size bands.	• A whole economy survey. • Collects both employment and financial information. • Completion of the survey is compulsory under the Statistics of Trade Act 1947.	• Does not: -cover the agricultural sector. -include jobs in private households. -include jobs in organisations not held on the IDBR, home-workers. -include jobs in non-UK businesses or the self-employed. • Survey initiated in 1998 and thus comparisons over decades are not possible. • Only available following an application to the Chancellor of the Exchequer.
Yell Group plc [2]	Yell.com	• Business directory in online and paper format (issued through paper format). • Online version is continually updated. • Covers all industrial sectors within the UK.	• Yell offers a free elementary listing on its site; thus increasing the likelihood of total business coverage. • The UK online directory has 2.3 million business listings. • Searches can be conducted to specific geographic areas including the first part of a postcode (e.g. B15).	• Businesses not obliged to be part of the Yell directory. • Yell is a commercial organisation and therefore access for non-commercial users can be expensive. • Free searches provide a maximum of 100 results.

Source: [1] NOMIS (1998-2005) [2] Yell (2006)

3.3.4 Constructing a database of marketing and public relations businesses

From this point it was possible to create and plan a survey that would facilitate two key requirements: firstly, a broad overview of the sector exploring business organisation and

the production of services; and secondly, a representative sample of businesses within the sector.

The Yell Group website, yell.com, is an Internet based business directory which has a total of 2.3 million business listings, and has been used by previous studies (Raper *et al.*, 1992). Recent research has noted some of the benefits as well as disadvantages of the Yell Directory:

> "(It) is continuously updated and easily accessible. Yell assigns establishments to its own classification (Yell categories) and because the data is post coded one of its most useful applications is for the construction of sampling frames for surveys at local or regional level. The disadvantage of the Yell records is that they do not include employment information for each establishment" (Daniels and Bryson, 2002b).

Despite the shortcomings of this commercial database, there are few alternatives that do not discriminate between the businesses they include. The Yell database includes both large companies alongside SMEs and micro-businesses. Furthermore, information is easily accessible and is free at the point of use for non-commercial purposes.

The Yell Directory permits up to three search criteria: two by business type and the other by location. Two search terms were used: 'marketing consultants' and 'PR consultants' and these identified businesses that were classified in the Yell Directory under the following headings:

- Advertising Agencies
- PR Consultants

- Publicity Consultants
- Marketing & Advertising Consultants
- Sales Promotion Consultants
- Market Research & Analysis

Businesses are listed with up to three classifications. Some businesses are first classified as ‘advertising agencies’ and second as ‘marketing and advertising consultants’. All businesses that are listed as either ‘marketing and advertising consultants’ or ‘PR consultants’ have been included in the marketing and PR database used in this study.

When using the online Yell Directory a search will provide a maximum of 100 results. Searches that specified the West Midlands counties (e.g. Warwickshire, Worcestershire etc) in the location criteria always produced ‘100’ results. Therefore a smaller geographic unit was required. The Yell Directory does not permit the use of administrative ‘wards’, but postcode units are available. Postcode units are small enough to ensure that a search yielding more than 100 results is unlikely. This permitted a database of all the region’s marketing and PR businesses to be produced, and yielded 730 businesses that were either completely or mostly involved in these activities.

3.3.5 Ethical issues

Before primary data collection could take place it was necessary to evaluate any ethical considerations. Both the telephone and in-depth surveys brought the researcher into direct contact with respondents. It was necessary to ensure that their needs (such as

anonymity) were considered and that the researcher outlined the guidelines in place to remove any concerns or doubts.

The development of the research methodology and in particular the design of the primary data collection tools was founded on the central tenets of the ESRC Research Ethics Framework. This is based on six key principles:

1. Research should be designed, reviewed and undertaken to ensure integrity and quality.
2. Research staff and subjects must be informed fully about the purpose, methods and intended possible uses of the research, what their participation in the research entails and what risks, if any, are involved.
3. The confidentiality of information supplied by research subjects and the anonymity of respondents must be respected.
4. Research participants must participate in a voluntary way, free from any coercion.
5. Harm to research participants must be avoided.
6. The independence of research must be clear, and any conflicts of interest or partiality must be explicit.

(ESRC, 2005:1)

Confidentiality was a particular issue which affected all aspects of the researcher's involvement with respondents or subjects. It was crucial to ensure respondent confidentiality, not least when respondents were providing sensitive business information. Therefore the length of time data would be kept was outlined to the respondent at the beginning of each interview. Furthermore, the researcher introduced himself, the department and university he was representing, as well as the research supervisors to instil confidence in the respondent.

Confidentiality was strictly enforced and helped provide the research with integrity. Businesses and respondents were assured that they would remain anonymous and verbatim text would not be quoted in a way that could uncover a respondent's or a businesses identity. Producing quality research was a primary emphasis for the researcher to ensure that a robust and rigorous methodology and data collection process would permit future outputs. An ethical review checklist was completed and signed in accordance with university and ESRC guidelines.

3.4 Phase 2: the telephone survey

The database of businesses provided the survey population for the telephone survey. A survey instrument was drafted and tested using a pilot survey. The reasons for choosing a telephone survey and the researchers own positionality and capabilities will not be discussed before turning to the details of the pilot and main telephone survey.

3.4.1 Reasons for choosing a telephone survey

Telephone surveys are standard practice in market research activities, since they are relatively easy to administer, efficient, speedy and low cost (McLafferty, 2003). A postal survey, by contrast, suffers from a low response rate, is difficult to administer and there is a potentially long waiting time before completed questionnaires are returned. A telephone questionnaire survey permits researchers to "acquire information about the characteristics, behaviours and attitudes of a population" (McLafferty, 2003:87). The information gathered can be used to test the concepts from hypotheses, which is facilitated by measuring a series of

variables identified and built into the survey instrument (Bryman, 2000). The measures or variables chosen to test the concepts may be subject to limitations: for example time constraints, which limit the amount of data collected, thus one or two variables rather than three or four may be included (Bryman, 2000). Data was gathered and collated electronically and this left more time for data analysis.

The survey was designed to screen against businesses that were not engaged in marketing and PR activities, and beyond this encapsulate all business types to provide a 'snap shot' of the industry in the region. This would then facilitate an analysis of businesses and potentially the form and function of inter and intra business relations.

Achieving a satisfactory response rate is always a concern, and more so from a postal survey, because questionnaires can be discarded or overlooked. On the other hand, telephone surveys are recognised for their good response rates (Parfitt, 2005). Undertaking a telephone survey puts some of the onus to complete survey targets on the researcher and their ability to persuade potential respondents to take part. In practice, if a potential respondent says 'yes, but not now' the researcher has received permission to re-call the respondent. There were different problems depending on which types of businesses were being contacted, for example, larger businesses were happier to provide details of turnover and employee numbers, but it was more difficult to gain contact with senior management. Smaller businesses, with fewer than ten employees, permitted easier access to senior management but they were often less keen on divulging information on aspects surrounding the size of the business and their customer base.

Researchers can maintain complete control and ensure continuity between individual surveys in terms of the language used, and the information provided to the respondents (Parfitt, 2005). Self-administered questionnaires pose problems that include trying to ensure the right person completes it and that questions are read and answered consecutively. Whilst a pilot survey should remove discontinuities from the questionnaire, and modify incongruous sentence structure, some problems still remain (Parfitt, 2005). During a telephone survey the administrator is able to explain and overcome these difficulties, though care needs to be taken to ensure continuity between surveys (McLafferty, 2003).

3.4.2 Cold calling and the researcher's experience

The telephone survey was the first point of contact with potential respondents. Success was determined by a range of factors including the time of day cold calling took place, the researcher's experience, and working with gatekeepers.

The researcher's personal experience is relevant to the conduct of the study, imbuing the research with both his personality and skills. Previous work within a telephone sales environment informed him of standard industry practice, as well as insider knowledge aiding the likelihood of success. For example, businesses were telephoned during office hours, with an emphasis on cold calling early in the morning. Telephoning from 8.30am increased the chances of speaking to senior management because they were less likely to be engaged at that time. Later in the day they may be away from the office or too busy to spend time on the phone engaged in non-business activities.

If it was inconvenient to speak to the potential respondent on that occasion it was easier to arrange an appropriate time to call back rather than trying to negotiate contact *via* a secretary or other gatekeeper. It is likely that a researcher will come across a gatekeeper, although for smaller businesses, particularly home-based businesses, gatekeepers are a less frequent hazard. Having said that, a researcher must be well prepared to answer tricky questions and explain the purpose of their call to a busy senior executive.

Experience in a market research call centre equipped the researcher with some of the necessary language skills and telephone confidence to quickly build a rapport with potential respondents. This is demonstrated in a statement made by a respondent who took part in the telephone questionnaire and later the depth interview (which was also administered over the telephone). They noted:

> "I'm happy to help, I must admit I think your approach to the whole thing has been excellent…because there are a lot of people who might have approached me to do what we've just done, and who'd (have) been given very short shrift… I don't suffer fools and whether it's somebody at the door or somebody cold calling, if they get more than ten seconds out of me they've done well" (interview HO1-23 02-07-07).

Despite this unsolicited positive feedback, there were refusals (three from the pilot survey and 13 from the main survey), and a number of respondents requested 'ring backs'; perhaps without any intention of taking part in the survey other than to try and dissuade the researcher from calling again (Tables 3.3 and 3.4). Once again, this highlights some of the problems for the researcher who is unable to forge sufficient rapport with a potential respondent in the first few seconds of a cold call, and turn it into a completed survey.

Taking this in to consideration, building confidence on the telephone is imperative before embarking on a telephone survey. Although not telephoning from a commercial organisation, academic and non-commercial researchers can still experience curt responses to requests to take part. The following section will revisit some of these issues, outlining the impact of respondents on the survey design.

3.4.3 Telephone questionnaire design

The collection of primary data is the final stage in a series as part of the production of a competent survey questionnaire:

> "To be used effectively, primary data collection must be part of an integrated process that begins with the underlying research questions, it is informed by an understanding of previous work, and which is designed with a specific plan in mind for analysing the data" (Parfitt, 2005:75).

Before the questionnaire was administered, it was necessary to ensure that the research questions had been well thought out (Chapters 1 and 2). This permitted the building of a questionnaire that would collect data to start the process of exploring and answering these questions (Appendix 2). The telephone survey was eventually structured as follows:

- Respondent's details
- Information about the business
- Business premises
- Working practices
- Collaboration and contracting

Questions

A questionnaire survey is frequently used by researchers as a preamble to in-depth interviews. A simple questionnaire collects factual information about a sample population which informs and helps towards the structure of the second stage of the research process, namely the in-depth interviews (Valentine, 2005). A range of data types can be collected using the survey instrument and these are categorised as follows: firstly, data that *classifies* respondents, including questions that produce a series of respondent variables, such as age, sex, qualifications, turnover, number of employees' *etc.* (Parfitt, 2005). Secondly, data was collected that uncovered the *behaviour* of respondents, for example, whether they use sub-contractors, or do they work at home or the office (Parfitt, 2005). Lastly, questions were included to identify *attitudes, opinions and beliefs*, such as the reason for choosing business premises and what has affected working practices over the previous ten years (Parfitt, 2005).

Some questions were designed to elicit opinions and beliefs, resulting in some open-ended questions. Though usually avoided in questionnaire surveys, they were deployed to good effect in this study, producing lists that could subsequently be turned into numerical data. Also, the researcher was not sure he had included every possible option and wanted to avoid omitting a factor important to respondents in the sample population. Questions from other surveys were included, allowing results to be compared and contrasted with other studies.

3.4.4 The pilot telephone survey

There were 14 versions of the questionnaire before a final version was considered acceptable. After the pilot survey, which was executed in late December and early January, during the Christmas break when many businesses were closed or operating at a reduced level, a number of adjustments were made. These mainly concerned the structure, order and written style of questions. The low response rate of the pilot survey was partly attributed to when it took place. In view of this it was anticipated that the main survey, being undertaken over a 'normal' trading period, would not suffer in the same way (Table 3.4).

Importantly, only three businesses refused to take part in the survey, but a number were excluded as 'not applicable' or 'unobtainable'. This was the main threat to a suitable return from the main telephone survey. Businesses categorised as 'not applicable' may have been misallocated in the Yell.com database, but on reflection some businesses invented plausible excuses so as not to participate, rather than openly refusing to take part. The key messages from the pilot survey were the low number of completed interviews, coupled with high 'call back' and 'answer phone' rates (Table 3.4). With persistence it is possible to turn some of these cases into completed questionnaires.

Table 3.4 Pilot telephone survey: modes of response

	No.	%
Interview [1]	16	16.50
Not applicable/unobtainable [2]	15	14.40
Call back [3]	24	25.00
Ring out [4]	26	26.50
Email with further details [5]	0	0.00
Answer Phone [6]	14	14.50
Refusal [7]	3	3.10
Total	98	100.00

Note: [1] The business was happy to take part in the survey. [2] The business was not relevant to the survey for a variety of reasons or the number was unobtainable. [3] Refer to the number of businesses requesting another call because it was not convenient to speak to them at that time. [4] The telephone call was not answered. [5] The potential respondent was not able to make a decision whether to take part in the survey at that time and requested further information. [6] The telephone call resulted in an answer phone. [7] The potential respondent was unwilling to take part in the survey.
Source: Pilot telephone survey, December/January 2007

Providing enough information at the start of a cold call is vital to achieving a successful interview. The researcher needs to convey quickly and concisely who they are, and what they require. A complex and lengthy 'opening narrative' may leave those answering the phone bewildered, quick to request a call back, or state that the business is unable to help. Gatekeepers may be junior members of staff and facilitate a support role, not integral to business production. Likewise, if senior managers answer the telephone they may not understand the terminology considered 'second nature' by the academic researcher (McLafferty, 2003). For example, it quickly became apparent that saying 'I am researching business and professional services' was pointless. The opening narrative was subsequently altered, stating that the researcher was 'researching marketing and public relations businesses'.

Constructing the sample frames for the pilot and main survey

Two sample frames were required and constructed from the database of West Midlands marketing and PR businesses: the first, for the pilot survey and the second, for the main survey. There were only 730 businesses in the entire West Midlands, listed in the Yell Directory, because of which it was necessary to ensure none of those located in the main survey area were contacted and wasted in the pilot survey. The pilot survey used the marketing and PR businesses located in the postcode areas that comprise the county of Staffordshire (Map 3.1).

The ABI data revealed that the highest concentrations of marketing and PR activities were in Warwickshire and adjacent counties. The database created using the Yell directory also confirmed this. Postcode areas for Warwickshire were therefore included in the sample frame for the main survey. As well as this, additional postcode areas were selected moving north (towards central Birmingham), east and west until a sample frame had been selected that included a total of 393 businesses (Map 3.1). The pilot survey had achieved a response rate of 16.5 per cent but it was hoped that this rate could be increased to 20 per cent to achieve feedback from 80 businesses for the main telephone survey. Therefore the sample frame was increased until nearly 400 businesses were included, and was thus large enough to provide the necessary response rate.

3.4.5 The main telephone survey

It took just under three weeks to complete the main telephone survey during January and February 2007. All data was collated onto an electronic spreadsheet, and inputted instantly during the telephone interview. The main survey response rate was improved significantly compared with the pilot survey (Table 3.5). Likewise 'call backs' and 'ring outs' were reduced, but there was a slight increase in 'refusals' and businesses 'not applicable and unobtainable'.

The short timeframe to complete the telephone survey was beneficial for two reasons. Firstly, the survey preparation and database building had taken approximately three months; and secondly, it was realised that the depth interviews and subsequent transcription would require at least eight months to complete. Therefore the telephone survey and in-depth interviews, combined, took the majority of the second year to administer.

A random number generator provided 393 randomised numbers; these were assigned to the alphabetically listed businesses and sorted into ascending order. This is a *simple random sample* (Bryman, 2000). Businesses were telephoned in numerical order from the newly sorted list. Contact was attempted up to three times, after which a business was discarded. 'Call backs' were completed at times specified by the potential respondents and this was continued until successful or potential respondents changed their mind. 'Ring outs' and 'answer phones' were retried at the beginning and end of consecutive days before new businesses were telephoned (Table 3.5). Businesses requesting an email with further details were provided with information and an interview arrangement was attempted. A total of 284

of the 393 businesses were contacted before responses had been achieved from 80 (Table 3.5 and Map 3.2). Each telephone interview lasted 20 to 30 minutes.

Table 3.5 Telephone survey: modes of response

	No.	%
Interview [1]	80	28.17
Not applicable/unobtainable [2]	56	19.72
Call back [3]	51	17.96
Ring out [4]	41	14.44
Email with further details [5]	29	10.21
Answer Phone [6]	14	4.93
Refusal [7]	13	4.58
Total	284	100.00

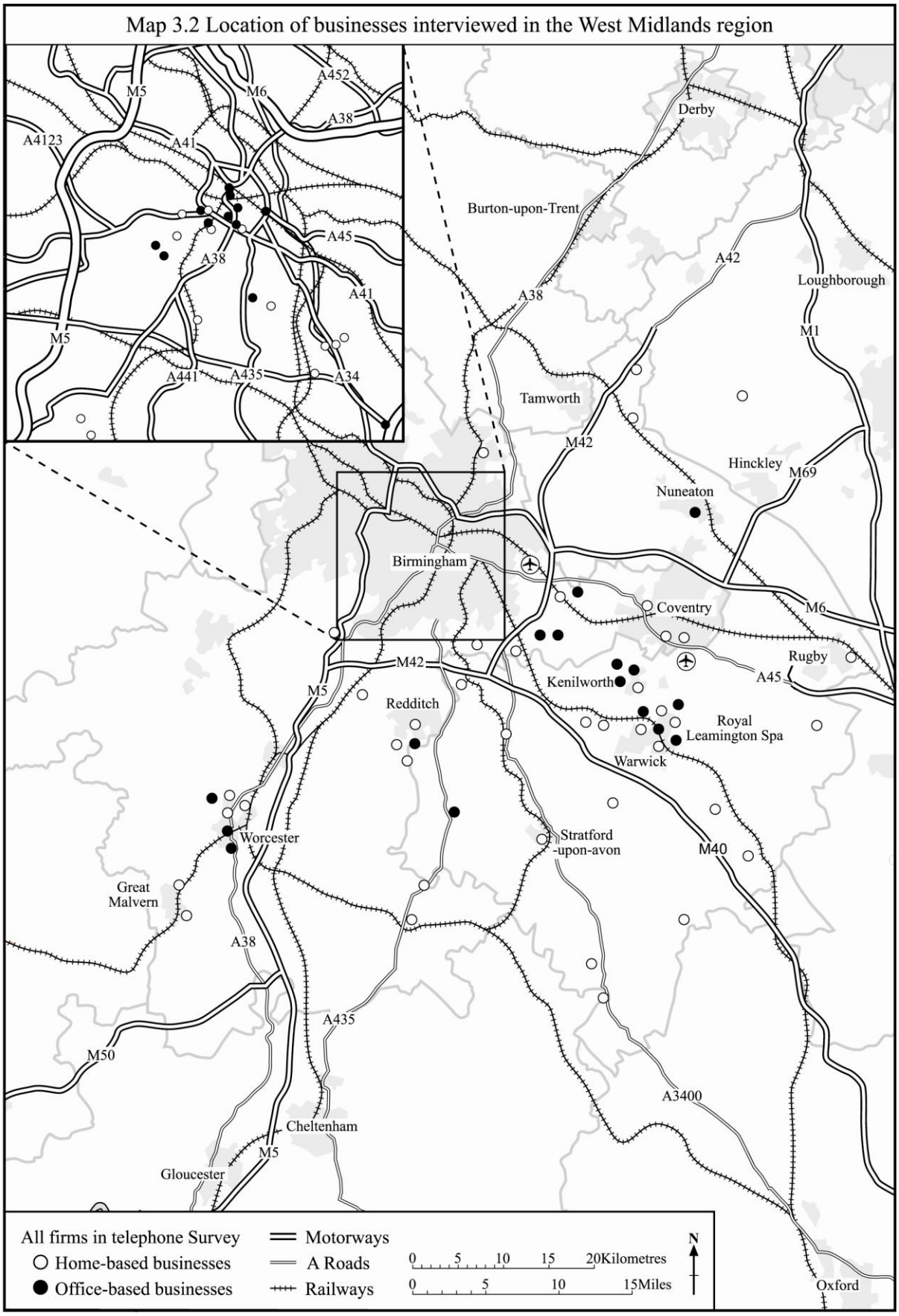
Note: [1] the business was happy to take part in the survey. [2] The business was not relevant to the survey for a variety of reasons or the number was unobtainable. [3] Refers to the number of businesses requesting another call because it was not convenient to speak to them at that time. [4] The telephone call was not answered. [5] the potential respondent was not able to make a decision whether to take part in the survey at that time and requested further information. [6] The telephone call resulted in an answer phone. [7] The potential respondent was unwilling to take part in the survey.
Source: Telephone interviews, January/February 2007

Problems encountered

Some individuals refused to take part because they did not have the 'authority'. They were also unwilling to refer the researcher to a manager in case it was detrimental to their own position. Others did not want to take part in a survey because they did not fully understand, they thought it may have had undesirable repercussions, or because they just did not want to participate.

A second problem of the telephone survey was the interpretation of questions and definition of terminology as perceived by the respondent. For example, when asking organisations to discuss staffing levels the question did not properly differentiate between support staff in-house and those contracted in for a set period of time on a regular basis. On the other hand, ample provision was made to question businesses on their use of sub-contractors to fulfil client projects but many businesses used very few or none at all. This issue did not present itself in the pilot survey. Thus, more of the survey could have been devoted to discovering more about the way the business functioned, an aspect which is virtually unknown with respect to home-based BPS businesses.

The following section will discuss the development and execution of the third phase of the research process, the in-depth interviews.


Map 3.2 Location of businesses interviewed in the West Midlands region
M5
M6
A452
A38
A4123
A41
A45
A38
A41
M5
A441
A435
A34
Derby
Burton-upon-Trent
A42
Loughborough
A38
M1
Tamworth
M42
Hinckley
M69
Nuneaton
Birmingham
Coventry
M6
M42
Rugby
A45
Kenilworth
M5
Redditch
Royal
Leamington Spa
Warwick
Worcester
Stratford
-upon-avon
M40
Great
Malvern
A38
A435
M50
A3400
Cheltenham
M5
Gloucester
Oxford
All firms in telephone Survey
Home-based businesses
Office-based businesses
Motorways
A Roads
Railways
0 5 10 15 20Kilometres
0 5 10 15Miles
N

3.5 Phase 3: the in-depth interview

Quantitative research tools are naturally skewed towards the collection of numerical data, and although some open-ended questions are included, these are generally kept to a minimum. Interviews provide an opportunity to explore issues in-depth. Firstly, this section will deal with qualitative research, outlining its use in this research methodology. Secondly, the construction of the in-depth interview research tool, its implementation and analysis of the results, will follow.

3.5.1 Qualitative research

"Qualitative approaches have enabled the study of, and emphasised the importance of, seeing economic activity as a set of lived practices, assumptions and codes of behaviour" (Crang, 2002). In practice, quantitative data uncovers trends and allows linkages between a set of independent and dependent variables to be explored. The use of qualitative data has been demonstrated as useful as researchers attempt to uncover the nature of human decision-making and action. Dunn (2000:80) notes four positive reasons for undertaking interviews: firstly, the ability to effectively provide knowledge to understand in detail what other methods, such as the use of secondary quantitative data "are unable to bridge efficaciously". Secondly, they can unpack human idiosyncrasies informing decisions and behaviours. Interviews can reveal a range of factors, opinions and experiences, as well as converging and diverging viewpoints within a social grouping. Lastly, the interview provides the researched with a voice far more than the completion of a questionnaire will do. Interviews permit interviewees to voice opinions and should facilitate comments and opinions rather than

confine them to a set of ‘watered down’ or ‘best fit’ options in a questionnaire. It is perhaps this final point which brings out the essence of the importance of qualitative research. It uncovers the human experience and cognitive processes that quantitative data collection cannot fully accomplish.

Sampling is frequently different from that of a questionnaire survey. It is recognised that interviews, unlike a questionnaire, are not necessarily constructed and administered on the basis of a representative sample. Instead, interviews are used to investigate individual experience and phenomena (Longhurst, 2003; Valentine, 2005).

Interviewer’s positionality

Interview design moves between the unstructured and structured interview. Structured interviews have been deployed throughout geography, not least within economic geography (Beyers, 2005a; Daniels and Bryson, 2002b; Dunn, 2000). The use of a highly structured interview does not permit the researcher to disassociate themselves from the process: questions should not merely be posed without regard or understanding of a previous answer (Dunn, 2000). Indeed, the lone researcher should be so immersed within the study they will find it difficult not to engage fully in the depth interview. It is important to remain mentally alert, in-order to take advantage of unexpected information or details that may occur within the conversation (Dunn, 2000). A researcher has to maintain a fine balance between speaking too much and not providing enough support, as well as the standard conversational prompts to encourage and convey an interest in the interviewee’s answers.

Assuming that the interviews were with professional service businesses, the researcher always attended meetings wearing formal business attire. Interviewing business professionals often produces different experiences of control from those related by researchers contacting less advantaged economic and social groups. In the latter situation the researcher is assumed to be in control of the interview and may intimidate the interviewee (Valentine, 2005). This is less likely to occur in the presence of business professionals, most of whom are familiar with interview situations.

The researcher did feel significant concern at the beginning of the interview process; despite familiarity with marketing and PR terms, internal products and processes, he was not entirely comfortable. This was overcome following an informal meeting with a marketing and PR executive who provided the researcher with an overview of the industry and explained industry terminology. Respect was gained in interviews where the researcher demonstrated some 'insider' knowledge and interviewees felt they were being interviewed by someone on their level.

3.5.2 Designing the in-depth interview

A structured interview schedule was designed for the in-depth interview process and constructed from a series of themes. These would synthesise the research questions with the direct results of the telephone survey. For example, some of the in-depth interview questions sought to understand the location dynamics of businesses, since the telephone survey had revealed that many businesses were home-based.

Structure and themes

Each theme in the interview structure was investigated *via* a series of questions. Every question related to a different aspect of the theme, and each was provided with a subset of questions or prompts that the researcher could deploy if the issues were not covered following response to the main question. Arranging the interview into themes and specific questions, meant that the interviews were inherently coded and categorised (Dunn, 2000). This permitted some quantification of results, but this was not the aim of the in-depth survey.

The structured interview underwent seven versions before a pilot was undertaken. After this there were further modifications before the ninth iteration was adopted for use on the survey sample (Appendix 3). Six themes were covered including:

- Establishing the business
- Relationship with clients
- Collaboration between businesses
- The role of ICT in service production and delivery
- The respondents personal background and history

3.5.3 The pilot in-depth interviews

Following the construction of the in-depth interview questionnaire it was important to conduct a pilot survey. The pilot survey used four respondents from the pilot telephone survey divided in two; firstly, interviews took place after the seventh version of the questionnaire

design, followed by a further iteration. Secondly, further interviews were used to refine the interview design and produce the ninth and final version.

One of the major changes to the interview schedule was moving the opening question on the respondent's background to the end of the survey. Whilst this was initially used as an 'ice-breaker', 'tell me about yourself', it led to the interviewee talking freely for 20 or 30 minutes before the main survey questions were reached. Respondents in the pilot survey began to ask how much longer the interview would continue. It was decided a more focussed opening question was required, but that would still allow the interviewee to talk relatively freely and relax.

All of the pilot interviews were recorded; three of the pilot telephone surveys lasted between 53 and 56 minutes and the fourth lasted 91 minutes. The latter interview was the first to be conducted and much of the time was taken up with the first question, leaving insufficient time to cover the remaining questions. All of these interviews took place face-to-face, two in offices, one at home and the last in a hotel foyer. The researcher would have preferred to conduct the hotel based interview at the respondent's home-based office, but the interviewee said that they regularly met clients there and felt it would be a better location.

3.5.4 The main in-depth interviews

After completion of the pilot in-depth survey the main survey was commenced using respondents from the telephone survey. This section will examine the sampling of telephone

survey respondents for the in-depth survey, the locations of the in-depth interviews, along with recording and transcribing of interviews.

Sampling

Respondents were asked at the end of the telephone survey if they would be prepared to take part in the second phase of the research process: an in-depth interview. Five declined, leaving 75 respondents prepared to take part in the in-depth interviews. It was decided that 40 in-depth interviews should be conducted, and it was hoped that 50 per cent of those respondents who took part in the telephone interview would make up this quota. It was only possible to persuade 38 respondents from the telephone survey to take part in the in-depth interviews (Table 3.6). Following discussion, it was decided that forty respondents would be possible if a recommendation (in the form of a new respondent) from the research supervisors was accepted. The new respondent introduced the researcher to an acquaintance and so a total of two new respondents took part in the in-depth interview. Both matched the existing business types in terms of number of employees; turnover and location (Table 3.6).

Interviews were held with one individual in each firm. Because of the small size of most of the firms this was usually a senior employee such as a director or usually the managing director or equivalent. Eight interviews were undertaken in firms which were partnerships. Where germane this is highlighted in the analysis.

Table 3.6 In-depth interviewees: location

Defra urban/rural[1]	Potential interviewees	%	Interviews achieved	%
Hamlet and isolated dwelling	6	8.0	4	10.0
Village	9	12.0	8	20.0
Town and fringe	8	10.7	5	12.5
Urban >10k	52	69.3	21	52.5
recommended interviews (both Urban >10k)			2	5.0
Total	75	100.0	40	100.0

Note: [1] businesss are classified using the Defra urban/rural classification devised by Bibby and Shepherd (2005)
Source: Telephone survey, January 2007

It was decided to concentrate on achieving interviews from respondents in businesses located in areas that were not urban (>10k) (Table 3.6) because they constituted over 30 per cent of potential interviewees. In addition, over 50 per cent of the telephone survey respondents were involved in home-based businesses. Analysis is partly based on exploring the contrasts between non-urban (<10k) and urban (>10k) businesses and partly on their premises and location.

Gaining access to businesses has always been a concern to researchers. A telephone survey, asking participants if they would like to take part in a depth interview is a common approach to overcoming this (Valentine, 2005). In light of this, at the end of the telephone interview respondents were asked to take part in the second stage of the research process, the depth interview and all but five agreed. This included one business that was later excluded from the data analysis because it did not meet the criteria of the population sample.[11] It was

[11] The business removed was owned by a cooperative and coordinated the marketing for the members of the group. It did not engage in marketing projects for businesses not part of the cooperative.

hoped 50 per cent of those taking part in the telephone survey would participate in the subsequent depth interviews, and 38 agreed to do so.

Interview location

It was planned to undertake the in-depth interviews in person, but some respondents were unable to, or did not want to meet (Table 3.7). This resulted in some interviews being administered over the telephone. Telephone interviews were successful, but it was harder to forge the normal human interactions common in a deeper face-to-face conversation. The most difficult interviews were those that took place in noisy public places, such as a hotel reception, café or public house.

Table 3.7 In-depth survey: place of interviews

	Number	**%**
Phone	13	32.5
Respondent's office	12	30.0
Home	8	20.0
Hotel/public house/coffee shop	5	12.5
University office	2	5.0
Total	40	100

Source: In-depth interviews, summer 2007

Despite obvious concerns with in-depth interviews that did not take place in a traditional office setting and face-to-face for some, this could not be avoided. Many respondents were not willing to take part unless the interview was conducted over the

telephone: for example they were conscious of time and were not keen to give more than was necessary.

Traditionally, concern surrounds female researchers meeting unknown respondents in isolated locations but the reverse may have been an issue in this research. Some interviewees were women working at home alone and the researcher did not meet any female respondents at home alone but he did meet one male interviewee alone in a domestic setting. Three of the meetings in hotels/public houses were with female respondents and four of the telephone interviewees were female and home-based. Furthermore, six were male home-based respondents. The home-based respondents may be used to conducting long telephone based conversations and reluctant to invite strangers to their home-based office.

3.5.5 Recording and transcribing

The interviews took place between July and October 2007. All interviewees were asked if they were happy for the interview to be digitally recorded and all agreed. In total there were 49 hours of interview recordings from 40 respondents. The average length of each interview was one hour, though some did last two hours. Playback from the digitally recorded interviews was clear, decipherable and fully audible.

The researcher transcribed 25 per cent of interviews and a further 25 per cent were completed by a native UK transcriber. The remaining 50 per cent were completed by an overseas transcription service based in Bangalore, India. Before this business was commissioned to conduct the work, a former customer (an academic at an Australian

university) was contacted and a reference sought. The feedback was positive and it was decided to proceed, but initially transcriptions were poor. Whilst it was assumed that there would be issues surrounding colloquial terms and local place-names it was hoped that the bulk of conversations, not least because of the quality of the digital recordings, would be easy to transcribe. Following discussion with the supplier, the transcriptions were re-done to a satisfactory standard.

The use of an overseas transcription service was beneficial mainly because of the speed with which interviews were processed. All transcribed interviews were read whilst listening to the original recordings to avoid misinterpretation and incorrect transcriptions. After this, interviews were each assigned a code. The code is either HO (for home-based businesses) or NH (for non-home based businesses). This is followed by a number, one to four, which specifies whether a business is located in: an urban (>10k), denoted as 'one'; town and fringe, 'two'; village, 'three' or hamlet and isolated dwelling, 'four'. The number following the 'dash' is the ID of the interviewee. Thus, NH1-14 is a non home-based business in an urban (>10k) location and is interviewee number 14.

3.6 Phase 4: analysis and interplay between a multi-methodological approach

In this section the techniques used to explore and analyse the data gathered will be outlined. The first section will focus on the exploration and presentation of the quantitative and qualitative data, the methods and protocols established which form the basis for the themes addressed in chapters four, six and seven. The second section will outline the Critical Incident Technique (CIT). The CIT is a research tool, utilised here to analyse business

formation, a theme emanating from the in-depth interviews which shapes the structure and presentation of chapter five.

There is a long established tradition of research into the business environment; not least within the study of economic geography (Dunn, 2000; Robinson, 1998). The location of industrial sectors has been studied using a range of quantitative (Boiteux-Orain and Guillain, 2004; Moyart, 2005) and qualitative techniques (Beyers and Lindahl, 1996; Britton *et al.*, 2004; Devine *et al.*, 2000) as well as a mixed methodology (Bryson *et al.*, 1997; Daniels and Bryson, 2002b). Fundamentally, methodological tools, such as questionnaires and interviews, do not change, but they can be administered or structured differently. Refining methods to suit a new piece of research can create a range of problems, issues and dynamics.

3.6.1 Using quantitative and qualitative data

There has been extensive discussion on how and whether research can utilise both quantitative and qualitative techniques (Strauss and Corbin, 1998). Recently it has been argued that qualitative analysis has gone too far, and the quality of quantitative analysis has become incompetent. On the other hand there is evidence that research, using a mixture of qualitative and quantitative research techniques, is effective and compliment each other (Crang, 2002; 2003; Elwood and Martin, 2000; Strauss and Corbin, 1998). Within this study, to justify and provide gravitas to the research findings, a combination of the two research techniques has been useful, particularly as the research has been partly explorative.

A lack of secondary data sources, and data specific to the marketing and PR sector, required a quantitative survey that provided a profile of the sector. This provided a foundation for the subsequent depth interviews. Furthermore, because the depth interviews are biased towards non-urban businesses, the quantitative data provide a useful overall context for comparing urban and non-urban businesses.

Analysis of the primary data has been undertaken in two stages. Firstly, the telephone interview results were used to tailor the subsequent in-depth interviews. Secondly, the bulk of the telephone survey analysis was executed after the completion of the in-depth interviews. The in-depth interviews were highly structured and relevant themes were investigated in a coherent order over the course of the interview. The subsequent analysis explored themes and findings, some of which were unexpected in relation to existing research while other themes were chosen because they had not been addressed to date within other studies of BPS.

The telephone survey provided important information on the characteristics of the marketing and PR sector within the West Midlands. Furthermore it revealed some issues that had not been anticipated, but which were investigated more thoroughly in the subsequent depth interviews. Responses to the telephone survey questions were easily quantifiable and qualitative data gathered within this survey instrument quantified also. The data was coded and inputted into SPSS to perform some basic non-parametric tests. Parametric testing was avoided because of the uneven distribution of values required for these calculations.

Data from the in-depth interviews was quantified when themes were being explored where no data was available from the telephone survey. In these cases the researcher read

through the relevant questions from the depth interviews and quantified responses to provide an overview of responses, enabling trends to be identified. These could then be discussed and reinforced using quotations from the in-depth interview texts.

Presentation of data

Secondary data, where applicable, relevant and available, is highlighted and this is followed by primary data. The primary data is presented first quantitatively to fulfil two needs; firstly, to provide justification and relevance; and secondly as a brief but immediate profile of the issues being explored. Quantitative analysis can overlook the intricacies of a phenomenon and a more nuanced approach is required to grasp this. Therefore qualitative analyses in the form of excerpts from the in-depth interviews are used, and alongside these, mini case studies are also used.

Case studies are crucial in research which may be heavy in quantitative analysis, to ensure clarity of argument and in discussion of a specific observation. A case study assists the researcher endeavouring to crystallise a theory or to convey their viewpoint to a wider audience. It also provides the researcher with an opportunity to investigate a topic at a very close proximity, for example at the level of the individual or a single business.

One of the challenges that emerged as the telephone and in-depth interviews progressed, was how to make best use of the range of factors listed by respondents as part of their decision-making process to become self-employed, and establish their own business. It is

suggested that the Critical Incident Technique (CIT) is a useful tool for this analysis. The following section describes and explains the CIT

3.6.2 The Critical Incident Technique

The CIT is useful because it provides a new method of exploring the process of decision-making and analysing the factors which influenced the process of business formation (Chapter 5). CIT encourages respondents to discuss all the reasons that influenced their decision-making process. This technique, its history and a description of how it is implemented, along with its advantages and limitations, will be discussed below. When applying CIT to the analysis of decision-making processes, and motivational studies by individuals, it is necessary to identify an incident which acts as a catalyst from which the final decision is made. This catalyst incident is suggested here as the 'tipping point', and will be developed further, following a review of the CIT.

Description and history

In the latter part of the nineteenth century Sir Francis Galton (1822-1911) developed the CIT (Flanagan, 1954). However, it was not until it was used by Flanagan, in a series of studies to collect data on "effective and ineffective work behaviours", that it was used and refined as a technique (Gremler, 2004). For example, during the Second World War, research into the decision-making processes by pilot instructors from the "Aviation Psychology Program of the United States Army Air Forces in World War Two" (Flanagan, 1954) used the technique. The research asked "pilot instructors" and "check pilots" why pilot candidates had

been eliminated from flight training schools (Flanagan, 1954). Following this, it was possible to establish a list of reasons or 'critical incidents'; many of which were similar, as those questioned frequently cited the same factors. The research also identified some "specific observations of particular behaviours" (Flanagan, 1954:328). On the basis of this research it was possible to devise a more structured and objective method of pilot selection (Flanagan, 1954).

The technique revealed a set of 'critical incidents' that could be subdivided into themes and sub-headings; as Flanagan (1954) noted:

> "By an incident, is meant any observable human activity that is sufficiently complete in itself to permit inferences and predictions to be made about the person performing the act. To be critical, an incident must occur in a situation where the purpose or intent of the act seems fairly clear to the observer and where its consequences are sufficiently definite to leave little doubt concerning its effects" (Flanagan, 1954:327).

Since these first studies, CIT has evolved from being used primarily as a scientific tool to an "investigative tool in organisational analysis from within an interpretive or phenomenological paradigm" (Chell, 1998:51). It is argued that the technique has a uniqueness in its ability to be applied to either a positivist or non-positivist paradigm, indeed, "CIT cuts … across the … notion that quantitative methods assume positivism whilst qualitative methods make non-positivistic assumptions" (Chell, 1998:51).

Chell (1998) notes that CIT has been used in six research areas, each with its own dynamics. These include: firstly, in occupational psychology, characterised by the work of Flanagan (1954), where there were assumed realities that results could be compared against;

secondly, in the "behavioural event interview (BEI)" which differentiates between superior and average performers (Chell, 1998). Similar to the work by Flanagan (1954) it allowed respondents to name as many critical incidents as they could, and following this a set of behaviours was established which could indicate the behaviours of over 50 professions; thirdly, in management, using CIT to gauge trust (Chell, 1998); fourthly, in entrepreneurship, to understand types of owner-managers and their ability to grow and maintain their enterprise (Chell, 1998); fifthly, "a grounded theory approach … to investigate the impact of culture on the entrepreneurial/managerial behaviour of small business owner-managers" (Chell, 1998:52); and lastly, CIT has been used in interdisciplinary work to research business development activity of "self-employed and microbusiness owners in the business service sector in the UK" (Chell, 1998).

The CIT method

The CIT can be broken down into three basic elements: firstly, the collection of data; secondly, the identification and classification of incidents; and lastly, the analysis of the incidents. It was possible to utilise CIT in the analysis of the reasons, cited by respondents, regarding why they had decided to establish a business and become self-employed. Previous research had assumed a phenomenological approach to the method, with a largely unstructured interview to facilitate this (Chell, 1998). Interviews were semi-structured, but questions were largely open-ended respondents were encouraged to answer questions as broadly and fully as possible. Therefore; it was possible to "capture the thought processes, the frame of reference and the feelings about an incident or set of incidents which have meaning for the respondent" (Chell, 1998:56).

Following data collection, via interview (although this has also been partly accomplished through the use of questionnaires (Andersson and Nilsson, 1964)), the relevant sections of the interviews, were read and analysed, to gather and list the reasons that the respondents had cited for choosing to establish their own business. A Grounded Theory approach was used to avoid preconceptions, and permitted the theory to emerge from the data (Strauss and Corbin, 1998). Such an approach is crucial in the analysis stages, as it is here that the "interplay between researchers and data" takes place (Strauss and Corbin, 1998:13). From this a list of incidents identified by the respondents can be made.

Next it is necessary to categorise the incidents, and then group them into themes. However, because of the 'creativity' involved in analysis, there is a degree of subjectivity and potential dispute as people categorise incidents in different ways. This has always been a concern (Andersson and Nilsson, 1964; Flanagan, 1954). It is necessary to take a pragmatic approach: "The essential thing seems therefore to be that the category system chosen is an obvious one, and with as small a degree of arbitrariness and chance as possible" (Andersson and Nilsson, 1964:400). Following this, incidents are likely to be themed. This can continue depending on the number of incidents and resultant categories.

Advantages and limitations

The critical incident technique has recognised advantages and limitations (Gremler, 2004). It is not a research tool that has been employed by economic geographers. Firstly, respondents are able to pick and choose freely what they discuss, and they are able to differentiate and bestow importance on the 'critical incidents' that they mention. The

technique provides respondents with flexibility, and allows them to decide the hierarchy of the incidents, which may not necessarily follow a chronological order. Thus no preconceived ideas or facts are presented to respondents, supported by the Grounded Theory approach (Strauss and Corbin, 1998). Instead they provide researchers with the facts, and elaborate on them as they wish. In practice a deep and extensive data set can be achieved.

The technique can be tailored to a researchers needs, and some in their description of the method, outline their personal understanding of how it is executed:

> The method, as developed by the author, assumes a phenomenological approach. It is intended through the process of a largely unstructured interview to capture the thought processes, the frame of reference and the feelings about an incident or set of incidents which have meaning for the respondent. In the interview the respondent is required to give an account of what those incidents meant for them, their life situation and their present circumstances, attitudes and orientation" (Chell, 1998).

Secondly, the use of interviews as the basis for the research can provide 'thick' descriptions which in-turn permit linkages between incidents to be drawn (Kaulio, 2003). Thirdly, this produces both quantitative and qualitative data, which is provided following categorisation of incidents after data gathering (Kaulio, 2003). Advantages of this include the ability to list incidents in descending order and the creation of a critical incident hierarchy (Kaulio, 2003).

Fourthly, the CIT does not force respondents into a particular framework of thought, importantly allowing inductive reasoning to take place afterwards by the researcher (Gremler, 2004). This means it is useful in areas which have undergone little research to date, can be used to effectively create and build a large amount of knowledge in depth, and provide a

thorough understanding into a topic (Gremler, 2004). Within this, CIT can provide a conceptual structure for further research and is a very flexible technique, adaptable to a research proposal:

> "The CIT is an inductive method that needs no hypotheses and where patterns are formed as they emerge from the responses, allowing the researcher to generate concepts and theories" (Gremler, 2004:67).

This flexibility is invaluable when attempting to understand a phenomenon from a different angle or unrealised dynamic. Furthermore, CIT can be used to reveal and establish data in areas previously untouched, and in conjunction with other methodologies because of its use in a "content analytic fashion" (Gremler, 2004:67). CIT has been used successfully on many occasions to research the experiences encountered by informants in service contexts. From this angle it has been possible to utilise CIT to understand respondents' reasons for establishing their own businesses. Indeed, the outcome of research into service experiences, using the CIT, has meant management teams can understand the exact thoughts and feelings of service users (Edvardsson and Roos, 2001). In turn a plan of action can be formulated to implement improvements.

Fifthly, the experiences of those establishing their own businesses can illuminate the key areas where government policy could facilitate and enhance entrepreneurial activity (Gremler, 2004); as well as demonstrating the benefit of implementing practical help and advice, engaging potential entrepreneurs, and providing support in their new venture. Lastly, depending on the nature of the study, the technique can identify "opportunities (potential success factors) and risks (potential failure factors)" (Kaulio, 2003:169).

Some limitations to the research contradict those elements that are also embraced. An obvious concern arises because respondents are provided with the freedom to discuss those incidents which they feel are most important or relevant. This raises concerns on the "saturation and comprehensiveness" of the study (Andersson and Nilsson, 1964:399). Therefore some may be discarded. Furthermore because respondents may be discussing events that took place in the distant past, they may not fully remember the finer details and so this may result in a neglect to deliver an "accurate and truthful reporting of them" (Gremler, 2004). The reliability of interviews and validity are a concern, but this can be overcome if checks are built in to the interview, for example by triangulating results or having incidents corroborated by another (Chell, 1998).

Time and history are two issues that should be considered when using this technique (Edvardsson and Roos, 2001). When the technique is used to study customer's experiences of service levels, they are asked to recall both positive and negative incidents; customers may be predisposed to mention negative incidents (Edvardsson and Roos, 2001). Broadly this is always a concern when asking respondents to discuss events that took place many years before. Once again, how a respondent views an incident will determine how they recall it and its place within their personal history. Whilst it may appear that the incidents that encouraged respondents to establish their own business are wholly positive, some may have been negative; for example, dismissal from previous employment. It is important that the researcher is able to elicit such information, or as much as is possible, concerning respondents' backgrounds.

Critical Incident Technique and understanding entrepreneurial activity

Flanagan (1954) noted a range of possible applications of this methodology, including that of "motivation and leadership" and researching an individual's reasons for a course of action. It is from this point that the CIT has been utilised here: to understand the motivations that have led the depth interview respondents, to go from being an employee to being self-employed or an employer. Individual motivations can be varied, personal and idiosyncratic. A method of collation and acceptance of these must be in place to explore decision-making processes, and the origin of motivations. For example, the technique has been used to understand why airmen chose to re-enlist in the US Air Force (Flanagan, 1954).

CIT has been previously used to understand the issues that affect small businesses in the UK. Research into the incidents that impact on business activities focussed on the internal dynamics between the business and the domestic or household (Chell, 1998). A range of incidents was identified that impacted negatively on a respondent's business. Indeed, the respondent noted that they could not manage all of the negative critical incidents that occurred in their business, though they could have coped with one or some of them (Chell, 1998). If one of the incidents had not occurred, the fortunes of the respondent could have turned out differently, but this did not appear to have been considered.

The interpretation of information is dependent on how the CIT is being deployed and the phenomena that is being investigated. Consequently, for some research, the critical incidents identified do not interact, and are independent of each other. Research which scrutinises the decision-making process that lies behind a life-changing decision may benefit

from viewing a series of critical incidents as coming together to form a critical mass. This concept has not been previously been applied to the CIT and therefore the interplay between critical incidents and the omnipotence of some critical incidents has been overlooked.

CIT has frequently been used to understand the choices made by the self-employed and the owners of small businesses (Chell, 1998). One example of this was a piece of research conducted in the mid 1990s that used the technique to explore why people became self-employed (Lee and Cochran, 1997). Using life stories, respondents were requested to place in chronological order the events that had impacted their decision to become self-employed. Following this it was possible to identify a series of critical incidents. These were then sub-divided into a total of 22 themes and were broken down into categories that included reflection, learning, preparation and support (Lee and Cochran, 1997). The technique elicited excellent responses and was an efficient way to appreciate the inter-play between various life experiences, which had helped to encourage a respondent to become self-employed. Using case narratives, they were able to distinguish eight themes in each interview before a commitment to either become self-employed or remain an employee.

Despite similarities between the research conducted by Lee and Cochran (1997) and the research presented here, there are substantial differences. Firstly, interviewees were known through personal networks to the researchers. Secondly, they only conducted five interviews, very few in comparison to other studies using the CIT. Thirdly, there was discontinuity between business types and industries of respondents. Fourthly, whilst the research demonstrated a series of incidents affecting each respondent, there was less emphasis on the inter-play between them and 'tipping points' were not identified. Finally, all

respondents were aged between 35 and 38, excluding a range of entrepreneurs and their particular incidents on their path to self-employment.

The CIT has been modified since the original technique was outlined by Flanagan (1954) and studies have both refined and tailored the method to meet their needs (Edvardsson and Roos, 2001). In line with this precedent, and whilst maintaining the essence of the CIT, it has been slightly adjusted for use within this research. As part of the analysis of this research, one of the critical incidents is identified as a tipping point in an individual's decision-making process (Chapter 5).

3.7 Conclusion

Overall the survey phase was successful, providing depth and grounding for the analysis reported in chapters four, five, six and seven.

While there are merits with the research methodology, there is always scope for improvement. Preparation of the telephone survey took much longer than the time it took to administer it. It provided brief access to a large number of businesses, and uncovered a range of issues, but some of these could not be fully explored. For example, a more detailed investigation into the production and organisation of services could have been achieved by spending more time with fewer businesses. There would have been opportunity to interview more employees within a business and gain greater understanding of the division of work. Such a detailed study, though valuable, may be undermined by a lack of knowledge of the sector in a regional setting, evidence for which has been gathered here.

Since this research and subsequent methodology was planned and implemented the UK economy has entered a recession, following at least two quarters of zero or negative growth. It is likely that if a similar survey was undertaken in the second half of 2009 some of the business types may be under or over represented compared with the profile created from the data collected in 2007.

CHAPTER FOUR

CHARACTERISTICS OF THE MARKETING AND PUBLIC RELATIONS INDUSTRIES IN THE WEST MIDLANDS

4.1 Introduction

This chapter explores the organisation and functioning of the marketing and PR industries in the West Midlands. Secondary data is used to provide an overview of the economic environment over the decade leading up to the time of the telephone questionnaire undertaken as part of this study. The region will be outlined in terms of the size and strength of the economy with particular emphasis on the BPS industries (Bryson and Taylor, 2006; Daniels and Bryson, 2002b). Studies have largely overlooked the marketing and PR industries and so a profile of these sectors will be undertaken using the data gathered for the present study and will include categorising the firms in terms of their premises, geography, turnover, age and staffing levels. Special attention is given to examining the segments of firms that comprise the marketing and PR industries and how those segments interact and work together (Taylor and Thrift, 1982; 1983). The analysis will engage with the wider debates on the ability of regional BPS sectors to engage in national and international global production and trade. The spatial distribution of the firms will be compared to other studies of BPS along with an explanation of the geography of marketing and PR in this sub-region of the West Midlands.

In view of this the first section positions the subsequent analysis within a discussion on the changing structure of the regional economy with particular reference to BPS. The

second section profiles the marketing and PR industries within the West Midlands economy and presents the initial findings from the telephone survey. The final section provides a discussion and analysis of the key findings and what new evidence has been revealed on the processes of firm formation and the growth and production of these industries within a regional setting.

4.2 The changing structure of the economy and the region in context

The West Midlands is a diverse economy that reflects the region's geography, history and urbanisation. The rural areas include prized farmland that has supported the growth of rural industries. This is in sharp contrast to the industrial metalworking centres of Wolverhampton, Dudley and the 'Black Country'.[12] Birmingham and the Black Country played an important role in the economic history of British manufacturing. This area was the centre of the UK's automotive industry as well as metal industries (Bryson, 2003). In 1966 employment in manufacturing peaked in the West Midlands and the region's subsequent economic history is one of manufacturing redundancies and the growth in service employment (Bryson, 2003; Bryson *et al.*, 1996). The deindustrialisation experienced in the region (Henry *et al.*, 2002) is a continuation of post-Fordist restructuring (Harvey, 1990), and has been coupled with a sharp increase in service industry employment and growth (Bryson and Taylor, 2006) (Table 4.1). However, in contradiction to the national picture, manufacturing is still an important part of the regional economy, with Land Rover and Jaguar located in Solihull and Coventry, aiding the growth of the BPS sector (Daniels and Bryson, 2005).

[12] The Black Country is loosely comprised of the four regions of Wolverhampton, Walsall, Dudley and Sandwell and is traditionally associated with a strong localisation of Basic Metals Production (Bryson and Taylor, 2006).

There are contrasts within the West Midlands County and in particular between the three key urban districts in the study area: Birmingham, Solihull and Coventry. Solihull is recognised as a 'middle class' area and characterised by the highest levels of productivity (Love *et al.*, 2006). Furthermore, 82.9 per cent of manufacturing is classified as high and medium technology, 61.9 per cent of employment is in knowledge intensive services and there is low unemployment (Love *et al.*, 2006). Coventry tends to fall just behind Solihull on all of these measures. It is traditionally a more industrial town, with double the amount of manufacturing employment of which only 64.4 per cent is high and medium technology manufacturing (Love *et al.*, 2006). In real terms Coventry has three times the number of unemployed compared to Solihull (Love *et al.*, 2006). The most severe areas of multiple deprivation are concentrated in Birmingham and Coventry though they are a 'bright spot' in the regional knowledge economy (Green *et al.*, 2006; Love *et al.*, 2006).

While it has some of the poorest areas and highest unemployment rates in the region, Birmingham is the centre of a dynamic service sector, not least in financial and legal services. This is reflected by 60.1 per cent of Birmingham's employment being in knowledge intensive services (Love *et al.*, 2006). The city also has the highest number of manufacturing workers in the region but only 42.2 per cent of manufacturing is high and medium technologies (Love *et al.*, 2006). Indeed, Birmingham along with Solihull and Warwickshire, are the only areas of the region which have experienced productivity increases relative to the UK (Love *et al.*, 2006). Both Birmingham and Coventry have designated EU objective 2 wards which are targeted for "developing a diverse and dynamic business base", "modernisation and diversification of traditional industries" and "empowering communities with high scores on a Multiple Deprivation index" (Daniels and Bryson, 2006:30). The growth of BPS in the region

is concentrated in central Birmingham but also related urban areas like Solihull and as well as dispersed growth beyond the Birmingham conurbation (Bryson and Taylor, 2006). Indeed, such an economically diverse and generally vibrant sub-regional location should provide the correct mix of factors to fuel high levels of entrepreneurship (Audretsch and Dohse, 2007).

Quality of life

The sub-regional study area is recognised as having some of the best quality of life attributes of the entire West Midlands. It is necessary to appreciate some of the assets which contribute to the quality of life in the region and the extent to which these have shaped the structure of the demographics of the sub-regional study area. The West Midlands region is culturally rich in assets such as arts venues, cinemas, theatres, museums, libraries, heritages sites, sports facilities and natural landscapes. Indeed, of the 36 areas of outstanding natural beauty in the UK five are located in the region, as well as 439 sites of special scientific interest (4,118 in total) (WMRO, 2006). The West Midlands Economic Strategy reveals a positive correlation between culture and economy so that "the West Midlands is recognised as a world class region in which to invest, work, learn, visit and live and the most successful in creating wealth to benefit its people" (AWM, 2004:4). Furthermore, the annual State of the Region Report 2005 stated that: "a potential source of regional competitive advantage relates to an endowment of distinctive and geographically specific assets" (WMRO, 2006:29).

The intangible advantages that culture and more widely the image of a location can contribute to the quality of a place and the lifestyle it can offer have wide ranging impacts on the economy and industry:

> "Quality of life affects where people choose to live, work, spend their leisure time, and as such it underpins their perceptions about an area and the future decisions they make … quality of life is important to a region, not only to the incumbent community but also in attracting people to relocate to the region and encouraging them to stay" (WMRO, 2006:35).

Florida (2002c) stresses the importance of culture and lifestyle assets in creating a sense of place and attracting relocating knowledge workers and organisations. Within the West Midlands some of the wealthiest areas are located in the south-east of the region (WMRO, 2008). This area has some of the least deprived locations (WMRO, 2008) as well as the highest GVA per person located in Birmingham, Solihull, Coventry and Warwickshire (WMRO, 2009).

The West Midlands regional lifestyle survey found that when people were choosing where to live their decision included some of the following: areas of low crime rates, nice and clean environments, knowing the area, quiet areas, good local schools, appropriate housing and accessibility to countryside (WMRO, 2005). These factors vary according to urban or rural dwellers, ethnicity and age, even so it is clear that these are important considerations (WMRO, 2005). The sub-regional study area for this project encompasses locations that fulfil these requirements e.g. Warwickshire and Worcestershire (WMRO, 2005). For example, the south east of the region has some of the most expensive and largest housing (Bryson and Taylor, 2006; WMRO, 2005). These factors are useful when appreciating the concentration of BPS and therefore, marketing and PR agencies founded and operated in the study area.

4.2.1 The size and structure of business and professional services in the West Midlands economy

BPS firms are an important provider of employment in the West Midlands, with financial intermediation, real estate, renting, and business activities comprising the second largest employment sectors after wholesale and retail trade (Table 4.1). The linkages between BPS and other industries and their role within the production process are recognised particularly with manufacturing (Bryson *et al.*, 2004; Sassen, 2001b). Although BPS are important employers, financial intermediation was one of only three sectors to show a decline in employment over the period 1998-2005 (Table 4.1). Whether this is a sign of the levelling out of business services growth is not yet clear (Daniels and Bryson, 2002a).

Table 4.1 The changing structure of the West Midlands economy, 1998 - 2005

SIC 2003 Group	1998 No.	2005 No.	No. change in employees	% change in employees
Manufacturing	554,727	362,252	-192,475	-34.7
Utilities	14,978	11,891	-3,087	-20.6
Financial Intermediation	71,350	68,602	-2,748	-3.9
Wholesale and Retail Trade	410,521	427,053	16,532	4.0
Public Administration	107,952	114,570	6,618	6.1
Hotels and Restaurants	129,922	146,627	16,705	12.9
Construction	91,356	107,165	15,809	17.3
Real Estate, Renting and Business Activities	285,279	347,606	62,327	21.8
Transport, Storage and Communication	107,911	133,742	25,831	23.9
Social and Personal service	90,093	112,673	22,580	25.1
Education	183,982	239,258	55,276	30.0
Health and Social Work	215,834	282,453	66,619	30.9

Source: NOMIS (1998-2005)

Real estate, renting and business activities comprise a range of BPS activities and represent the third largest set of industries in the region, and include the marketing and PR industries (Table 4.1). The increase in employment in these activities is part of a shift within advanced economies towards service employment and independent service providers associated with the latter half of the twentieth century (Bryson *et al.*, 2004). Between 1994 and 2000 business service firms in Great Britain experienced growth of 44 per cent whilst all other industries and services increased by just 9.2 per cent (Bryson *et al.*, 2004).

If the major SIC groups comprising BPS are broken down, 'other business activities' is the largest single grouping of activities, and includes legal and accountancy services, management activities, as well as consultants within sectors such as advertising, architecture, management, engineering, industrial cleaning, security services, labour recruitment and marketing and public relations (Table 4.1 and 4.2).

Table 4.2 The structure of business and professional services employment in the West Midlands, 1998-2005

		1998	2005	Change between 1998 - 2005	
SIC 2003		**No.**	**%**	**No.**	**%**
65	Financial intermediation	44784	44711	-73	-0.16
66	Insurance and pension funding	14853	11283	-3570	-24.04
67	Activities auxiliary to financial intermediation	11713	12609	896	7.65
70	Research and development	4090	6305	2215	54.16
72	Computer and related activities	27677	34995	7318	26.44
73	Real estate activities	27904	38408	10504	37.64
74	Other business activities	212904	252814	39910	18.75

Note: SIC 74 includes marketing and PR activities
Source: NOMIS (1998-2005)

The concentration and growth of BPS in the region suggests strong and vibrant industries which could support and encourage significant amounts of new business start-ups potentially from spin-offs (Braunerhjelm and Borgman, 2004; Tamasy and Le Heron, 2008; Wagner, 1994). Even so, these figures provide little insight into the embeddedness of firms and individuals in local business networks and inter-firm relationships that are likely to be complex amongst a myriad of different firm types (Araujo *et al.*, 2003; Oinas, 2006; Taylor, 2006).

4.2.2 The geography of business and professional services in the West Midlands

The largest concentrations of BPS firms are in Birmingham, Solihull, Coventry and Warwickshire. The data also show that rural areas are also experiencing high employment rates in these activities, in particular 'other business activities' (Table 4.3) (WMRO, 2005). Despite this, most research into urban agglomerations of BPS suggests that rural locations beyond the outside cities are usually commuter belts or that BPS activities are not usually associated with rural areas and that advanced high quality BPS firms are located in global cities rather than in second cities or provincial towns and rural areas (Sassen, 2001b). The over-emphasis placed on global cities has tended to obscure BPS services that are located in other places, and these 'other places' by definition must be conceptualised as peripheral or marginal spaces for provision of BPS. In the West Midlands BPS firms have been established beyond the conurbation. This growth is partly explained by the quality of life that is available in Warwickshire and Worcestershire and this has played an important role in attracting professionals from London (Daniels and Bryson, 2005; WMRO, 2005). Indeed, the quality of life helps to explain the concentration of an older and more qualified population in the rural

locations of the south east of the region (WMRO, 2005) and consequently the high rates of entrepreneurship and self-employment which is a characteristic of these population cohorts (Delmar and Davidsson, 2000; Dollinger, 1995; Henley, 2005) (Table 4.3). Also there are BPS employees relocating to the region and commuting to London or Birmingham before establishing their own business (Bryson and Taylor, 2006; Green *et al.*, 2006).

Table 4.3 Employment (%) in business and professional services, West Midlands, 2005

Unitary authority/county	Financial intermediation and auxiliary activities, insurance and pensions %	Real estate activities %	Computer activities, research and development %	Other business activities %	Total population of working age No.
Wolverhampton	3.4	1.5	0.4	8.2	104,448
Walsall	2.1	0.9	0.4	12.2	105,229
Sandwell	1.4	3.3	0.6	6.2	122,674
Dudley	2.8	1.6	1.0	10.5	121,770
Birmingham	4.9	1.6	1.4	13.1	495,328
Solihull	3.5	1.6	4.7	14.6	105,419
Coventry	4.5	1.6	2.2	10.5	142,853
Shropshire	1.5	1.7	0.9	5.9	117,501
Telford & Wrekin	2.4	1.2	1.9	8.1	81,963
Staffordshire	2.3	1.1	1.5	8.6	322,651
Stoke on Trent	1.7	0.8	0.5	7.8	106,708
Warwickshire	2.2	1.8	3.7	14.0	240,455
Worcestershire	1.9	2.1	2.6	11.9	228,181
Herefordshire	1.4	2.0	1.4	8.1	64,895
West Midlands	2.9	1.6	1.7	10.7	2,360,076

Source: NOMIS (1998-2005)

These location trends are ongoing and were first identified by Daniels and Bryson (2002b) in the region and conceptualised as part of a borders arc, professional services

corridor and an inner and outer rim of BPS to the south, south-west and south-east of the Birmingham conurbation. The borders arc is located to the east of the conurbation and runs from Shropshire down to Herefordshire (Daniels and Bryson, 2002b). As well as this, they identified a professional services corridor running from central Birmingham, through Solihull and out into Warwickshire. This corridor bisects an inner ring of low density and less diversified professional services within the conurbation. Running parallel to this ring is a larger outer rim of high density and relatively diversified professional services which includes Worcester, Stratford-upon-Avon, Warwick and Coventry (Daniels and Bryson, 2002b).The results from the data gathered for this study begin to reveal the reasons for marketing and PR agencies locating in this part of the region, including both personal and economic reasons.

4.2.3 Markets and suppliers

The export potential of BPS firms for regional economies has been recognised over recent decades (Beyers, 1992; Bryson *et al.*, 2004). In the West Midlands there are large concentrations of 'other business activities' in Solihull and Warwickshire, questioning the assumption that these businesses always gravitate towards city centre locations. For example research in the Île-de-France, the region around Paris, found that producer services had suburbanised, but jobs were still concentrated in the traditional Central Business District (CBD) and in a "polycentric" form around the city (Boiteux-Orain and Guillain, 2004:572-573). A study of the West Midlands by Daniels and Bryson (2002b) revealed that 53.3 per cent of turnover within 'computing, marketing and design' came from beyond the West

Midlands and over 20 per cent was from the EU and abroad.[13] Thus, 'computing, marketing and design' services have a significant export potential, and 40 per cent of these industry's turnover is earned from manufacturing (Daniels and Bryson, 2002b). This suggests that the sector is embedded within intersectoral linkages as well as operating as a base industry within the economy.

Despite the importance of external suppliers and outsourcing for most BPS firms, there is little detailed research into subcontracting within the marketing and PR industries. In the USA a survey of business services revealed that almost 60 per cent purchased specialised services. The reasons for this included better quality services, different services, and regulatory requirements (Beyers, 2005a). Similar findings were reported in the West Midlands where businesses collaborated with other businesses to provide increasingly complex and specialised products, and because of enhanced regulations (Daniels and Bryson, 2002b). In the West Midlands, 70 per cent of BPS sourced external suppliers locally (Daniels and Bryson, 2002b). In comparison, a survey of producer service businesses, in King County,[14] Washington, USA, identified that just under 82 per cent of external suppliers were sourced locally (Beyers, 2005a).

4.3 Marketing and Public Relations industries in the West Midlands

Although marketing and PR services have not been researched in detail or to the extent of other BPS sectors, there are some exceptions (Bryson *et al.*, 1997), for example the

[13] The category 'computer, marketing and design services' was an amalgamation of three categories which included: marketing, advertising and PR services; computer services, telecommunications and multimedia consultants and design-related services (Daniels and Bryson, 2002b).
[14] King County includes Seattle. There were 72 businesses in the sample frame compared to 221 businesses in the West Midlands study.

emphasis that has been placed in recent years on the so-called creative industries and the 'creative class' (Florida, 2002a; 2002b; 2002c; Reich, 1992).[15] Within the West Midlands, marketing and PR are relatively small industries but they are contained in one of the fastest growing employment codes within the SIC. These services are heavily involved in the manufacturing process, in particular at all stages from research and conception to the eventual selling of a product. They have the potential to export inter-regionally and overseas as well as within their local client base.

Research into the closely related industry of advertising has shown that distinct business models exist (Faulconbridge, 2007) and that individuals within advertising agencies and not the agencies *per se* are more important to clients (Grabher, 2002a; 2002b). The potential for individuals to work alone as freelancers or as sole proprietors and at home could produce distinct geographies and networks that are dispersed over space within the industry (Baines and Robson, 2001; Ekinsmyth, 1999; 2002; Leslie, 1997). The next section will present data from the ABI and also results from the telephone survey to develop a regional and sub-regional outline of marketing and PR services in the West Midlands region, focussing on their form, size and location.

4.3.1 Quantifying marketing and public relations services in the West Midlands

Whilst it is not possible to obtain precise figures on the size of the marketing and PR industries in terms of employees and numbers of businesses the data that does exist provides some useful indicators. The 'other business activities' sector has been growing significantly

[15] It should be noted that Florida (2002c) has been subject to criticism. He is mentioned here to highlight the growing interest in these workers. A critique is proffered by Peck (2005).

until at least two years before the beginning of the UK recession (Table 4.4). The key concentrations are in Birmingham, Warwickshire, Worcestershire and Staffordshire. These areas are easily accessible by motorways and rail transport as well as being desirable locations in which to live. Two anomalies stand out: first, the decline in the number of employees in Sandwell, and second, the decrease in Solihull, which contains one of the largest concentrations of these industries in the region (Table 4.4). This suggests that these industries are vibrant and potentially self-replicating in the Warwickshire, Birmingham and Solihull areas (Braunerhjelm and Borgman, 2004). But the smaller firm size in Solihull suggests that many new firms are being established and some are failing and this suggests that the competition is strong and it is not an easy market place to enter (Brixy and Grotz, 2007).

The varying mean number of employees per firm suggests that these are economically strong sectors and that there is a strong likelihood of embeddedness and dense networks between firms. Inter-firm relationships may be between larger urban firms and smaller rural based consultancies of freelances, though the nature of this cannot be determined from this secondary data alone (Bryson *et al.*, 1993a; Bryson *et al.*, 1997; Ekinsmyth, 2002). Furthermore, the smaller firm sizes suggests higher levels of firm formation and that this is highest in rural areas (Acs and Storey, 2004). Indeed, it implies that even if the regional economy is not uniformly strong the sub-regional area is. A strong economic environment is crucial for ongoing firm formation (Fritsch *et al.*, 2006). This is because nascent entrepreneurs are likely to feel more confident about establishing a firm and there is the potential for the new enterprise to embed within local networks which is necessary for the business to continue to grow (Johannisson *et al.*, 2002; Search and Taylor, 2002; Taylor and Leonard, 2002).

The size of businesses, in terms of the number of employees, shows that the average is fewer than 10 employees (Table 4.4). This suggests that a large number of the businesses are micro-firms. This is important because the presence of a large number of small firms indicates vibrant entrepreneurial activity (Acs and Storey, 2004). Some of the smallest firms are located in Herefordshire and Shropshire whilst larger firms are located in urban centres such as Birmingham, Walsall and Stoke-on-Trent. There is a similar pattern of location of firms engaged in journalism in the London region, though in that instance the firms located outside central London were generally home-based freelancers undertaking elements of production for their client's clients (Ekinsmyth, 1999; 2002). Even so, some of the smaller businesses are located in locations which comprise a mix of rural and urban areas, such as Warwickshire and Worcestershire (Table 4.4).

Table 4.4 The growth of 'other business activities' employment, West Midlands, 1998 - 2005

	Total employees 1998	2005	No. change in employees	% change in employees	Total business units 2005	Average employees per business unit
Wolverhampton	5,707	8,587	2,880	50.5	1,173	7.3
Walsall	8,505	12,810	4,305	50.6	1,149	11.1
Sandwell	9,587	7,629	-1,958	-20.4	1,021	7.5
Dudley	12,764	12,841	77	0.6	1,586	8.1
Birmingham	53,510	64,726	11,216	21.0	6,309	10.3
Solihull	16,529	15,423	-1,106	-6.7	1,810	8.5
Coventry	9,899	15,004	5,105	51.6	1,657	9.1
Shropshire	5,700	6,941	1,241	21.8	2,007	3.5
Telford and Wrekin	5,359	6,659	1,300	24.3	908	7.3
Staffordshire	22,497	27,697	5,200	23.1	4,788	5.8
Stoke on Trent	7,736	8,373	637	8.2	787	10.6
Warwickshire	27,947	33,718	5,771	20.6	5,542	6.1
Worcestershire	23,200	27,147	3,947	17.0	4,385	6.2
Herefordshire	3,965	5,260	1,295	32.7	1,248	4.2
West Midlands	212,904	252,814	39,910	18.7	34,370	7.4
Great Britain	2,568,942	3,221,418	652,476	25.4	432,739	7.4

Source: NOMIS (1998-2005)

The analysis of ‘other business activities’ using the ABI data, reveals some patterns regarding the geography, size and growth of the majority of BPS firms in the region, but not least the marketing and PR industries. However, the majority of marketing and PR businesses are located within two SIC codes: 74.13, market research and public opinion polling, and 74.14, business and management consultancy activities, including PR, financial management, general management consultancy and other business and management consultants (Table 4.5). The two sectors provide a further indication of the number of employees in marketing and PR services as well as other small business consultancies within the region.

There are similar patterns in the geography and growth of employees in SIC codes 74.14 and 74.13 and 'other business activities' (Table 4.5). However, Sandwell and Solihull underwent increases in employment in these activities (Table 4.5) compared to the 'other business activities' as a whole (Table 4.4). Areas adjacent to the Birmingham conurbation experienced similar growth. The main concentration of these activities is in Warwickshire and is surrounded by significant employment in Worcestershire, and to the north-east, Staffordshire. Indeed these areas represent the largest concentrations of these activities in the region and have some of the largest employment growth rates.

Table 4.5 SIC codes 74.13 and 74.14: employment change 1998 – 2005, and ratio of employees to business units

	Total employees		No. change in employees	% Change in employees	Total business units 2005	Average employees per business unit
	1998	2005				
Wolverhampton	351	429	78	22.2	148	2.9
Walsall	145	298	153	105.5	129	2.3
Sandwell	266	329	63	23.7	101	3.3
Dudley	269	823	554	205.9	208	4.0
Birmingham	2,669	4,050	1,381	51.7	918	4.4
Solihull	1,430	1,584	154	10.8	513	3.1
Coventry	608	1,025	417	68.6	253	4.1
Shropshire	832	887	55	6.6	423	2.1
Telford and Wrekin	136	404	268	197.1	162	2.5
Staffordshire	1,631	2,572	941	57.7	1,055	2.4
Stoke on Trent	86	240	154	179.1	85	2.8
Warwickshire	3,599	6,269	2,670	74.2	1,429	4.4
Worcestershire	1,409	2,504	1,095	77.7	1,112	2.3
Herefordshire	349	895	546	156.4	319	2.8
West Midlands	13,782	22,307	8,525	61.9	6,855	1.2

Source: NOMIS (1998-2005)

The high concentrations of employment in Birmingham, Solihull, Coventry and Warwickshire, and the low mean number of employees per business unit suggests high levels of entrepreneurship and a dynamic industrial environment for firms represented by SIC codes 74.13 and 74.14 (Acs and Storey, 2004; Braunerhjelm and Borgman, 2004) (Table 4.5). Smaller firms are most frequently in rural areas where it is possible that many will be administered from unexpected places such as the home. Warwickshire is the epicentre for activities including the marketing and PR activities (Table 4.5). This is unexpected because research into urban areas at the top of the urban hierarchy predicts that key growth and agglomerations of these services will be in central Birmingham, (Britton *et al.*, 2004; Sassen, 2001b) or in the suburbs (Boiteux-Orain and Guillain, 2004). Furthermore, the location quotients calculated for SIC codes 74.14 and 74.13 indicate a 'weak' to 'extreme' localisation of specialist BPS businesses around central Birmingham, with the largest concentrations in Solihull, Warwickshire and Worcestershire and are likely to export because the location has provision that exceeds internal requirements (Appendix 1).

There appears to be a movement into more rural areas, and market towns (Table 4.5). Two assumptions can be made: first, these businesses are probably small consultancies because there will be fewer opportunities to be located in offices in rural and small urban environments. Secondly, clustering on high-streets or in central business districts will be less likely. As well as lifestyle factors the sub-regional areas of Warwickshire and Worcestershire are served good transport links, the M40, M42 and M5, as well as a rail links that crisscross the counties (map 3.2).

Further north, a similar pattern can be detected. In proportional terms Stoke-on-Trent has experienced considerable employment growth but in real terms the figures are small. This suggests that this industrial city, with its strong heritage in pottery manufacture, is having difficulty establishing and nurturing knowledge economy firms. Indeed, the city's productivity has fallen and just 19 per cent of manufacturing is medium or high technology (Love *et al.*, 2006). In a region where BPS is partly dependent on manufacturing this provides some explanation for the small real term figures (Daniels and Bryson, 2002a; 2002b). The surrounding area experienced nearly 60 per cent growth, as employment within the sector grew by almost a 1000 (Table 4.5). This is perhaps not surprising when viewed in the context of Warwickshire. Staffordshire has excellent communication links because of the M6 and M6 Toll which traverse the county and beyond the city is has positive lifestyle factors. Both these factors appear important to the location decisions of businesses. Shropshire performed the least well of all areas, but Telford and Wrekin experienced nearly 200 per cent growth, although the number of business units is small compared to other regions (Table 4.5). This could be aided by the good communication links provided by the M54 and the direct rail links to Birmingham New Street, North Wales and Manchester.

There is evidence of polycentric formation in the West Midlands as shown in the growth rates of Coventry to the east of the Birmingham conurbation and Dudley to the west. It should be noted that although part of the 'Black Country', Dudley borders Staffordshire and Worcestershire. It includes the areas of Stourbridge and Brierley Hill, the latter being a former enterprise zone and area of considerable redevelopment and regeneration and situated on the M5.

Within the West Midlands business services are frequently concentrated in rural areas which are well served and easily accessed by the motorways and mainline railways lines which surround the Birmingham conurbation. An exception is Herefordshire, which, despite not having a direct motorway link, and is notably rural, experienced one of the highest percentage increases in these business activities (Table 4.5).[16] This is a rural county, and parts of it are form the 'borders arc' identified in previous research (Daniels and Bryson, 2002b) and discounted in subsequent research as merely providing services for local needs (Bryson and Taylor, 2006). Overall there has been significant growth in the rural locations in the south and east of the region. The following analysis will use the data gathered from the telephone survey, the findings from which will reveal some of the finer details of these industries in the region.

4.4 Profiling marketing and public relations agencies

A distinct geography for business activities including the marketing and PR industries (Table 4.5) has been identified in the West Midlands. The sub-regional area chosen for this study has facilitated a comparison of Birmingham with the more rural areas of Warwickshire and Worcestershire. The following section will now discuss and outline some of the key results from the analysis of this survey and provide a broad overview of marketing and PR services within the region.

[16] It should be noted that the base figures are still low for the county.

4.4.1 Top twenty postcodes for marketing and public relations agencies

Construction of the sample frame for the telephone survey enabled the top twenty marketing and PR postcodes, by share of total firms in the region, to be listed (Table 4.6). This fits broadly with the findings of Daniels and Bryson (2002b), but there are some notable differences: for example, these postcodes include nearly one third of the entire number of marketing and PR businesses in the region.

Concentrations are located in the central Birmingham postcodes (B1, B3, B5), but there is a strong grouping beyond the inner ring road and in the surrounding suburbs. Edgbaston (B15) is a recognised cluster within the industry, but there are others (B9, B12, B18), for example, to the north-west, east and south. Two spatial patterns can be identified, firstly, a polycentricism, with agglomerations of businesses in country towns; and secondly, there are bands of enterprises moving outwards from the Birmingham conurbation (Daniels and Bryson, 2002b).

Table 4.6 Marketing and public relations agencies in the West Midlands: top 20 postcodes, by number of total businesses

Postcode	Location	n=
B1	Birmingham central [1]	19
B3	Birmingham central	13
B5	Birmingham central	10
B15	Birmingham suburbs [2]	15
B12	Birmingham suburbs	10
B9	Birmingham suburbs	9
B18	Birmingham suburbs	8
CV32	Leamington Spa	20
WS13	Lichfield	14
CV37	Stratford upon Avon	13
CV35	Warwick	12
B90	Solihull	11
CV8	Kenilworth	11
B46	Coleshill [3]	10
DY8	Stourbridge	10
WS14	Lichfield	10
CV1	Coventry	9
CV34	Warwick	9
WR1	Worcester	9
WV10	Wolverhampton	9
Total		231
Share of regional total (%)		31.7

Notes: [1] central Birmingham defined as within the inner ring road (A4540). [2] Suburbs of Birmingham defined as beyond the inner ring road. [3] A rural area to the east of the M42 and the Birmingham conurbation.
Source: Yell (2006)

There is a distinct agglomeration of agencies focussed on a triangle: the apexes correspond with Warwick, Leamington Spa and Kenilworth. A total of 52 businesses are located in this geographic area (Warwick and Leamington Spa are two and a half miles apart and it is a similar distance to Kenilworth) (Table 4.6). Moving west and north there are more concentrations in Stratford-upon-Avon and Coventry.

Other factors need to be taken into consideration, not least transport, but also those businesses based in more rural postcodes compared to those in urban centres. To these factors the next section now turns.

4.4.2 The urban-rural dichotomy and home-based and office-based businesses

Business services, particularly those that include marketing and PR providers, are mostly concentrated in Warwickshire. Therefore, part of the following analysis will focus on the urban-rural split of businesses. Also, if most employees (Table 4.5) are in rural areas this raises questions regarding the type of premises in which they are based. Thus, an exploration of the number of home-based and office-based businesses is required.

The telephone survey provides a comprehensive overview of the marketing and PR sectors within the regional economy. Two findings that shape the analysis and presentation of data profiling businesses are the geography and premises of marketing and PR agencies. The majority of businesses are based in an urban location with a population of over 10,000 (Table 4.7),[17] and most (32 out of 55) are in the West Midlands Metropolitan County which includes Birmingham, Coventry, Sutton Coldfield, Solihull, Knowle and Dorridge (Map 3.1). The remainder are scattered in country towns, including Worcester, Great Malvern, Warwick, Leamington Spa and Kenilworth (Map 3.2).

[17] Businesses were classified using the classification of urban and rural areas developed by DEFRA. Urban areas are those with a population of over 10,000; below this settlements are part of a rural domain. Settlements were classified by 'morphology' (a total of four categories), and then by 'context', which gives a further eight categories. This study has classified the businesses by morphology because there are only 80 businesses to classify and thus the classifications would be relatively meaningless if categorised down to an eight category level. At the 'context' level settlements are classified according to how rural or urban they are relative to each other (Bibby and Shepherd, 2005) .

The remaining three categories are comprised of businesses located in smaller settlements or sometimes isolated rural locations (for example office parks in converted farm buildings, stables or homes in rural locations) (Table 4.7). At least two businesses within the survey are in converted farm buildings in rural areas but both are near good transportation links. This suggests that businesses are actively seeking alternative locations and there is some diversification of the rural economy away from just primary activities (Beyers and Lindahl, 1996; Beyers and Nelson, 2000). Environment and aesthetics along with lifestyle choices are important factors for those establishing businesses; this is partly indicated by the number of home-based businesses in rural areas (WMRO, 2005; 2006). In order for these to expand there may be a need for more rural based office facilities, which are accessible both financially (through low rents) and proximity to domestic locations.

Town and fringe settlements include Alcester, Henley in Arden, Shipston-upon-Stour, Meriden and Market Bosworth. Some of these locations are in the outskirts of larger towns such as Worcester or Warwick. Businesses located on the towns and villages and rural locations of the south-east of the West Midlands are almost invariably close main road and rail transport infrastructure. This correlates well with previous work that outlined a concentration of 'design-related services' in Warwick and Leamington Spa and a 'Rugby-Birmingham Corridor'(Daniels and Bryson, 2002b). Whilst other research has indicated that for rural based BPS to operate effectively they need to be near physical transportation links (Beyers and Lindahl, 1996), the impact of ICT on their location requires further analysis not least because some of this research took place nearly a decade ago (Bancel-Charensol, 1999; Beyers, 2003; Vilhelmson and Thulin, 2001).

Table 4.7 Breakdown of businesses: DEFRA urban classification

	Total businesses	
Defra urban/rural[1]	**No.**	**%**
Urban >10k population	55	69.6
Town and fringe	8	10.1
Village	9	11.4
Hamlet & isolated dwellings	7	8.9
Total	79	100

Note: [1] businesses are classified using the Defra urban/rural classification devised by Bibby and Shepherd (2005)
Source: Telephone survey, January 2007

The degree to which a location could be considered as rural is relative to its communication links, both physical and electronic. Therefore, locations that may appear to be inappropriate for business development actually possess the key attributes necessary to sustain entrepreneurial activity.

Similar findings have been found in North American rural populations which have been growing due to in-migration, these studies have identified various 'push and pull' factors (Beyers and Lindahl, 1996; Beyers and Nelson, 2000). Whilst these studies focus on population growth in general, some of the reasons for migrating can offer an alternative perspective when exploring businesses established in rural areas, particularly because of the number of home-based businesses identified in the present study (Table 4.7). Pull factors include a range of "place-specific natural amenities in people's migration decisions" (Beyers and Nelson, 2000). Research into rural Nebraska (Cordes *et al.*, 1996) identifies environmental pull factors such as proximity to family and relatives, as well as better schools

and safer neighbourhoods. Urban push factors include congestion, cost of living and the converse of pull factors: safety of urban neighbourhood and fear of crime (Cordes *et al.*, 1996). Either way, ultimately, as is well known within the firm formation literature which predominantly explores manufacturing start-ups, most new businesses are founded near tot eh founder's home or actually in the home (Ekinsmyth, 2002; Fritsch *et al.*, 2006; Henley, 2005; Keeble and Nachum, 2002).

Home-based and office-based businesses

Research that focuses on the role of the individual, in business transactions and service production systems, has gone some way to erode the centrality of the firm within economic analysis (Dicken and Thrift, 1992; Faulconbridge, 2007; Grabher, 2002b). However, individuals are based in firms and thus account should be taken of the heterogeneity of firm types: from the sole proprietor to the multinational (Taylor, 2006). Indeed, the growing number of SMEs supports this (Bryson *et al.*, 1997). Firms have undergone significant re-conceptualisation since the 1970s and 1980s: neoclassical theories of the firm, based primarily on analysis of transaction costs (Williamson, 1975) did not take account of the influence of relationships and social interactions on inter-firm interactions (Cowling and Sugden, 1998; Granovetter, 1985). This has led to significant investigation in to the nature of relationships between firms, their embeddedness within local networks and the porosity of firms boundaries (Dicken and Malmberg, 2001; Markusen, 1999; Saxenian, 1996; Taylor and Leonard, 2002).

Home-based businesses represent the majority of business locations, with the remainder in a conventional office environment in the present study (Table 4.8). There is a diversity of place and premises which must be taken into consideration when studying the business models of businesses as well as their location. Home-based freelancers may appear isolated but there is evidence that they are often part of an intricate web of niche workers within marketing and PR. Similar findings have been found in the advertising, publishing and media industries (Baines, 2002; Ekinsmyth, 2002; Leslie, 1997). The flexibility of individuals to form project teams which subsequently disband demonstrates the dominance of personal relationships and reputations which appear to transcend the firm (Grabher, 2002a; 2002b). Interestingly, if there are spatially disparate individuals, and they do not believe it necessary to agglomerate, it questions what does facilitate their economic activities and transactions and the nature of linkages, networks and associations.

Table 4.8 Urban/rural location: home-based and office-based marketing and public relations businesses

	Home-based businesses (a)		Office-based businesses (b+c)		Leased space (b)		Owner-occupied office (c)	
Defra urban/rural[1]	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Urban >10k population	28	60.9	27	82.4	22	85.2	5	71.4
Town and fringe	6	13.0	2	5.9	1	3.7	1	14.3
Village	8	17.4	1	2.9	1	3.7	0	0.0
Hamlet and isolated dwellings	4	8.7	3	8.8	2	7.4	1	14.3
Total	46	100	33	100	26	100	7	100

Note: [1] businesses are classified using the Defra urban/rural classification devised by Bibby and Shepherd (2005).
Source: Telephone survey, January 2007

Most home-based businesses are in urban locations, but if a business is based in a rural location they are likely to be home-based (Table 4.8). Keeble and Nachum (2002) attribute decentralisation of businesses to three processes. Firstly, macro-economic trends from the 1970s facilitating growth in specific sectors in new market areas, as businesses subcontract to gain specialist resources. Secondly, a rise in personal wealth, particularly for professionals has permitted them to relocate from cities to rural locations and small urban areas. Their wealth and tacit knowledge gained from previous employment as well as networks of contacts provides them with the resources to be entrepreneurial in their chosen relocation. Thirdly, the rural or small town location possesses its own characteristics which can encourage and facilitate entrepreneurial behaviour, such as labour and cost factors, and the impact of advanced ICT and physical links (Keeble and Nachum, 2002). Some of these issues must be developed further, particularly with the identification of the home as an important basis for business establishment. Since the research by Keeble and Nachum (2002) was undertaken ICT has undergone continued development also, as Bryson (1997) argues within the service sector there are low barriers to entry which need to be understood in conjunction with the potential that ICT offers to the development and establishment of small businesses.

4.4.3 Agency types

Categorising agencies is a useful tool for profiling firms and exploring the ability of a sector to engage in global service production networks. Agencies can specialise in two ways: in the services that they provide or the industrial sectors in which they operate. Economic Base Theory states that economic growth and expansion are achieved when an area is able to export (Illeris and Philippe, 1993). Originally, only manufacturing was recognised as being

able to export, but since the latter part of the 1980s the ability of service industries and in particular BPS services to export and engage within the manufacturing process within flexible production techniques has been established (Illeris and Philippe, 1993). Even so, it is assumed that regional service providers are generalists and service local needs (Britton *et al.*, 2004; Sassen, 2001a; 2001b).

This categorisation of BPS is inadequate for marketing and PR industries because the present study has revealed evidence that these agencies are specialists and not just providers of general services. This present study of marketing and PR firms has categorised agencies into four types, and in doing so, indicated the existence of service providers that specialise within certain aspects of marketing and PR (Table 4.9). These are services which enable the agencies in this study to export from the region and deter local and regional clients from seeking advanced skilled service providers for higher level work in larger centres of BPS agglomerations.

Table 4.9 Agency type: home-based and office-based marketing and public relations businesses

	Home-based businesses (a)		Office-based businesses (b+c)		Leased space (b)		Owner-occupied office (c)	
Agency type	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Marketing	10	21.7	11	33.3	8	30.8	3	42.9
PR	13	28.3	7	21.2	7	26.9	0	0.0
Marketing and PR	13	28.3	12	36.4	8	30.8	4	57.1
Specialist within Marketing & PR	10	21.7	3	9.1	3	11.5	0	0.0
Total	46	100	33	100	26	100	7	100

Source: Telephone survey, January 2007

Agency types include marketing businesses, PR businesses, businesses offering both PR and marketing services and businesses providing a specialist service within marketing and PR (Table 4.9). Categorising businesses according to the services they provide within marketing and PR is difficult and is exposed to a degree of subjectivity. For the purpose of this study, businesses that are listed as PR businesses may offer services such as advertising as well. The point at which a business moves from being a 'full service' agency to a specialist within the field is an arbitrary concept.

Categorisation was undertaken using information provided by respondents and is dependent on two factors: the type of work the respondent or agency carries out, for example a copywriter or media provider and whether they have their own clients or not. Freelancers work for agencies: technically they represent clients but within the industry the client is the purchaser or end-user of the marketing and/or PR service. Many respondents that are part of an agency will indicate that they buy in a range of services from freelancers and other subcontractors and use this to deliver a project. Likewise an agency is unlikely to do work for other agencies. Differentiation between businesses permits an analysis of the degree of specialisation they undertake. It also provides an account of the number of agencies who act as 'coordinators' for clients, bringing in services as required to complete a task or project.

It can be assumed that those businesses specialising in marketing are providing a full service agency which provides clients with services in all aspects of marketing.[18] Marketing is a multifaceted discipline and therefore outsourcing is a necessity for many businesses. PR is a tool within marketing, as is advertising.

[18] This can be taken to include all of the 7P's of marketing as outlined by the Chartered Institute of Marketing: product, price, place, promotion, people, process and physical evidence (CIM, 2005).

Within home-based businesses there are an equal number of businesses providing PR services and a mix of marketing and PR (Table 4.9). Due to the ability to subcontract skills not available in-house, home-based businesses are able to offer a full service agency relatively easily if desired. There are an equal number of businesses providing a marketing agency and specialising within an area of marketing or PR; such as graphic design, copywriting, freelancing or key marketing skill (Table 4.9). The slight skew towards PR businesses (13 businesses, 28.3 per cent) may be because they're easier to establish and run by one person (Table 4.9).

Office-based businesses are most likely to be marketing agencies (Table 4.9), as well as agencies combining both marketing and PR skills. Very few of the office-based businesses are agencies providing a specialist service within marketing and PR (Table 4.9). This indicates that these services are not generally able to form the main function of larger businesses, which office-based businesses generally are. Within office-based businesses those in owner-occupied offices do not provide just PR or specialisms within marketing and PR.

4.4.4 Business ownership and legal status

Respondents were asked about the ownership status of their business (Table 4.10). These terms are not mutually exclusive and represent the variety of different business models and legal definitions of the firm (Markusen, 1999; Taylor, 2006). These different forms of ownership indicate a need to delve more deeply into the different boundaries of the firm and what this represents in terms of inter-firm relationships and their embeddedness within local, national and international networks of firms (Dicken and Malmberg, 2001; Oinas, 2006;

Taylor and Leonard, 2002). Home-based businesses are equally divided between sole proprietorships and private companies (Table 4.10). There are a significant number of sole proprietorships. If they do not intend to grow and expand, this is likely to be detrimental for long term growth within the marketing and PR industries, because the agencies will die when the proprietor retires and 'leaves' the business. Business service firms are often deterred from expanding because of the nature of the products offered and expertise within the individual required (Bryson et al., 1997). By their very nature, as these businesses expand owners and managers are unable to keep abreast of all clients, exposing themselves to employees leaving and taking their knowledge, as well as clients, with them (Bryson et al., 1997). The importance of relationships with clients cannot be underestimated within businesses and in particular BPS providers (Bryson *et al.*, 1997; Granovetter, 1985).

Table 4.10 Legal status: home-based and office-based marketing and public relations businesses

	Home-based businesses (a)		Office-based businesses (b+c)		Leased space (b)		Owner-occupied office (c)	
Legal status	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Sole Proprietorship	22	47.8	4	12.5	4	15.4	0	0.0
Partnership	4	8.7	4	12.5	4	15.4	0	0.0
Limited Liability Partnership	0	0.0	1	3.1	1	3.8	0	0.0
Private Company	20	43.5	20	62.5	15	57.7	5	71.4
Public Company	0	0.0	4	12.5	2	7.7	2	28.6
Total	46	100	32	100	26	100	7	100

Source: Telephone survey, January 2007

Most office-based businesses are Private Companies and are likely to be owned by an individual or a small group of partners. These may represent 'temporary coalitions' or individuals who combine their resources (assets and capabilities) together to establish a

business which fulfils their desires, when it fails to do this it is likely to break-up (Taylor, 1999). Whilst these terms are useful, as will be considered in the subsequent chapters, they do not tell us much about the organisation of productions and the systems of business which lie behind them (Taylor, 1999). For example, when partners retire the remaining partners usually continue to build the business, and bring in new partners (interview NH1-17 08-08-07 and interview NH4-36 18-06-07). Businesses may change but they remain in existence providing employment and a knowledge hub within the industry. Most private companies were in a leased space but some were in an owner-occupied office (Table 4.10). It is a popular option for some businesses to buy property and set up a pension fund for the partners from its future capital. One business mentioned that it was a Limited Liability Partnership; this is a new status of business which transfers the liability from partners to the business. There is a need to examine the internal and external relationships of the firm and the nature of its boundaries, furthermore this needs to be undertaken both spatially and temporally (Oinas, 2006; Taylor and Leonard, 2002). Indeed, the focus on exploring home-based and office-based businesses goes some way to uncovering these business structure transformations.

4.4.5 Establishing businesses

The number of home-based businesses increases with each passing decade, whilst the number of office-based businesses remains stable (Table 4.11). This is significant and demonstrates that whilst working from home is a recognised phenomenon (Baines, 2002; Ekinsmyth, 1999; 2002; Jay, 2003; Peacock, 1994b; Stanworth, 1998; Sullivan, 2003), individuals are continuing to establish home-based businesses. Even so, within manufacturing industries the establishment of a business near or at the founders home is well documented

(Fritsch *et al.*, 2006; Henley, 2005). Business service providers are predisposed to remain small and have few employees (Bryson et al., 1997). For many establishing new businesses, space is available at home, is free and thus appears to be a calculated risk. The results of using home as a place to establish a business are evident in the huge concentrations of business consultants in Warwickshire and the small mean number of employees per business unit (Table 4.5). Evidence from this survey argues that many of these businesses are home-based. This could have a profound effect on the region's planning policies in terms of homes and communications infrastructure.

Businesses in owner-occupied buildings are more likely to be older and established businesses (Table 4.11). Office-based businesses in leased spaces and home-based businesses are less likely to have been founded before 1990. Both business types show increases in numbers with each passing decade. One reason for this may be that home-based businesses are established by individuals who have reached a point in their career when they feel able to leave paid employment and form their own business. These businesses are not intending to expand or take on extra staff and are possibly content with a sub-optimal wage until retirement, after which the business is dissolved. Furthermore, home-based businesses are new start-ups and in particular this refers to those established from 2000 (Table 4.11).

Table 4.11 Year of establishment: home-based and office-based marketing and public relations businesses

Year	Home-based businesses (a) No.	%	Office-based businesses (b+c) No.	%	Leased space (b) No.	%	Owner-occupied office (c) No.	%
Up to 1989	10	21.7	10	30.3	5	19.2	5	77.8
1990's	16	34.8	12	36.4	11	42.3	1	11.1
2000's	20	43.5	11	33.3	10	38.5	1	11.1
Total	46	100	33	100	26	100	7	100

Source: Telephone survey, January 2007

A survey of property and business services enterprises in Western Australia found that 45 per cent had been established in the previous five years, and 27 per cent between six and 10 years before (Walker and Brown, 2004).[19] Similar findings were found in the West Midlands, where slightly fewer than 40 per cent of businesses were established between 2000 and January 2007, and 35 per cent between 1990 and 1999 (see Table 4.11).

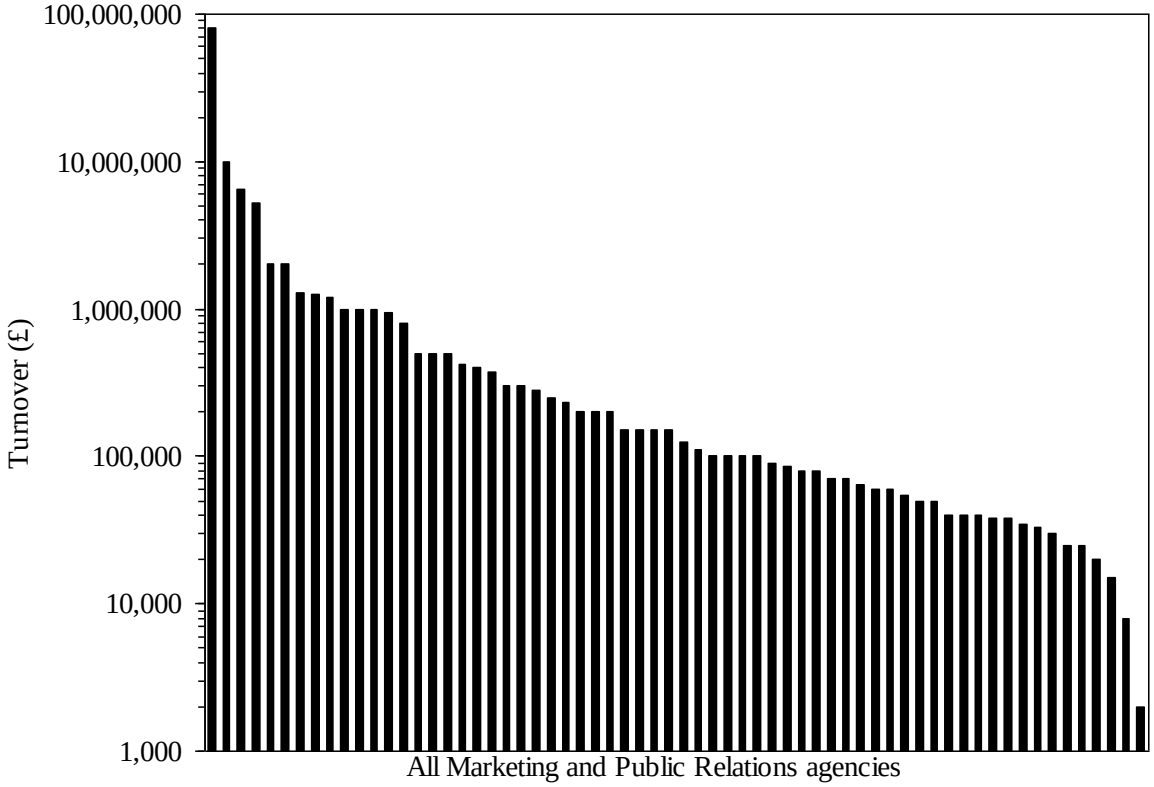
There is an even distribution of businesses established in leased spaces through the decades (Table 4.11). Leased premises provide businesses with flexibility to move as they grow and expand or contract in economic downturns. Leasing is a flexible option because long leases are less popular than short lease arrangements. There are a number of office developments which allow businesses to rent one room, on a weekly basis, with the option to rent more as required (Baldry, 1999).

[19] The study used data from 290 small business owners and was administered to the Property and Business Services industry sector (Walker and Brown, 2004).

4.4.6 Turnover of businesses

Analysing businesses according to turnover demonstrates that the sample can be separated into at least three groupings and indicates that there is a strong degree of segmentation within these industries (Taylor and Thrift, 1982; 1983) (Fig. 4.1). A variety of criteria can be used to categorise businesses and identify small businesses compared to large corporations. Keeble *et al.* (1991) argue that a sector based approach is more pragmatic when differentiating between businesses. They describe the need for "industry judgements and actual firm size frequencies in the study sectors" (Keeble *et al.*, 1991:442). This is partly achieved in the subsequent analysis of the present study. Businesses with a turnover of over £1 million or £2 million may not be large in some sectors, but within marketing and PR these businesses are infrequent yet significant players in the marketplace (Fig. 4.1 & Table 4.12). Indeed, this supports the argument that BPS organisations are characterised by only a few large corporations and a plethora of small enterprises (Wood, 1990; 1991).

Fig. 4.1 Total turnover of all marketing and public relations businesses



Note: turnover details were supplied by 65 respondents. 64 are shown because 1 business was removed from the data set

Source: Telephone survey, January 2007

As an agency's turnover grows the likelihood that a business will be home-based decreases (Table 4.12). The survey identified three types of businesses according to their turnover. The first are businesses with a turnover of up to £99,999, of which there are 26 in total (Table 4.12). 24 of these are based in the home, comprising 61.5 per cent of all home-based businesses. None of the businesses with a turnover of up to £99,999 are based in an owner-occupied office, and only one had a turnover of between £100,000 and £999,999. The majority of businesses in an owned office had a turnover of over £1,000,000 (Table 4.12). Most office-based businesses are in leased spaces (27 out of 34) and those in leased spaces are more likely to have a turnover of between £100,000 and £999,999. Although mainly made up

of enterprises with a turnover of less than £99,999, 15 home-based businesses have a turnover of £100,000.

Table 4.12 Turnover of agencies: home-based and office-based marketing and public relations businesses

	Home-based businesses (a)		Office-based businesses (b+c)		Leased space (b)		Owner occupied office (c)	
Turnover	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
<£99,999	24	61.5	2	8.0	2	10.0	0	0.0
<£100,000 to <£999,999	14	35.9	12	48.0	11	55.0	1	20.0
£1,000,000+	1	2.6	11	44.0	7	35.0	4	80.0
Total	39	100	25	100	20	100	5	100

Note: 64 business in total provided turnover details Respondents were asked to supply their turnover for the previous calendar year in the telephone survey. Depending on a range of factors e.g. whether a business or he client pays subcontractors can artificially raise and lower turnover. Likewise media buying can lead to very large sums of money passing through a business's 'hands' despite a considerably lower turnover in real terms.
Source: Telephone survey, January 2007

The majority of home-based businesses appear to have a turnover ceiling up to £999,999, beyond which they find it hard or do not want to expand. This may be having a detrimental affect on the region's productivity levels. In the long term, the creation of businesses 'adding value' and providing work for other workers in the region may not be taking place. A series of businesses with a finite life span are being born because they will die with the founder.

However, as Grabher (2002b) found in advertising, individuals are more important than actual businesses, with clients 'following' individuals as they move between jobs. This study argues that the sector appears characterised by a number of small home-based

businesses. Along with this the administrative requirements of running a larger business mean many small business proprietors are drawn further away from the actual work of the agency. Instead of these businesses being seen as lone businesses dying with their founder, they may be part of a general pool of marketing and PR consultants who in turn are part of an intricate network of specialists. They come together as and when required and as some specialists leave the pool, because of retirement, others join and so the cycle continues. However, it can only do so if there is a constant feed of new professionals. This may be facilitated by professionals moving from for example, London, into the area as well as by employees of larger agencies within the region leaving and establishing their own businesses. In order for this type of production to continue, some of the smaller businesses must expand. There is evidence of this within home-based businesses as one business has a turnover of over £1,000,000.

4.4.7 Geography of turnover

Office-based businesses have the largest turnovers in total. They earn over £6 million from exports outside of the UK, compared to less than a quarter of a million for home-based businesses (Table 4.13). Businesses in owner-occupied offices usually have the largest turnover of all.

Although making up over 50 per cent of the sample, home-based businesses have the smallest combined turnover compared to office-based businesses (Table 4.13). Home-based businesses are the least likely to have clients located in the West Midlands and more likely to have businesses located in London and the South East compared to office-based businesses

(Table 4.13). Individuals who relocate to the West Midlands region and establish small home-based businesses will probably have a network of business contacts in London and the South East. Businesses in leased spaces or owner-occupied offices are more regionally focussed and thus a smaller share of their revenue is gained from London and the South-East.

Research by Hitchens *et al.* (1996b) into BPS, including market research, compared the competitiveness of some UK regions to London and the South-East. They found that out of all the business services analysed, market research was the least spatially dependent (Hitchens *et al.*, 1996b). Furthermore, businesses located in London and the South-East derived 43 per cent of their business within the region, 34 per cent from the rest of the UK and the remaining 23 per cent from exports (Hitchens *et al.*, 1996b).[20] This was in stark contrast to Northern Ireland and Wales where 57 and 59 per cent respectively came from local clients, and both regions received three per cent of turnover from exports.[21] What is notable is the difference in turnover from the local area compared to businesses in the West Midlands, though the location criteria should be taken into account (Hitchens *et al.*, 1996b). Whilst office-based businesses can be compared with results from other studies, home-based businesses are not differentiated from other businesses within other research, assuming that some of these businesses are home-based. The present study demonstrates the need to scrutinise home-based businesses more closely as well as analyse the spatial distribution, size and nature of clients.

[20] Locally was within 40 miles of the business premises (Hitchens *et al.*, 1996b).
[21] This excludes the Republic of Ireland for Northern Ireland (Hitchens *et al.*, 1996b). The remaining turnover came from the rest of the UK, except for Northern Ireland where it was broken down into the rest of Northern Ireland, the Republic of Ireland and Great Britain.

Table 4.13 Business turnover: home-based and office-based marketing and public relations businesses

Location of clients	Home-based businesses (a)		Office-based businesses (b+c)		Leased space (b)		Owner occupied office (c)	
	£	%	£	%	£	%	£	%
West Midlands	2,169,723	46.9	68,857,932	59.0	11,258,437	56.3	57,599,494	59.6
London & South East	1,115,688	24.1	23,158,400	19.9	2,852,138	14.3	20,306,263	21.0
Rest of UK	1,154,814	25.0	21,169,467	18.1	5,354,013	26.8	15,815,455	16.4
Outside of UK	183,774	4.0	3,479,200	3.0	550,413	2.8	2,928,788	3.0
Total	4,624,000	100	116,665,000	100	20,015,000	100	96,650,000	100

Note: 64 business provided turnover details out of a potential 79
Source: Telephone survey, January 2007

Home-based businesses derive more income than office-based businesses from the rest of the UK. This may be due to office-based businesses being more established and a regional service provider outside of London. Home-based businesses have a much higher percentage of income from outside of the UK than office-based businesses. If home-based businesses are made up of professionals relocating from London this may be due to established foreign contacts, unlike large regional businesses which are more locally and nationally orientated.

4.4.8 Staffing

The majority of businesses are home-based and are likely to have fewer staff than office-based businesses (Table 4.14). Just fewer than 47 per cent of home-based businesses

were sole proprietors (Table 4.14). Peacock (1994b) found that 55 per cent of home-based businesses were sole proprietors in an Australian survey. [22]

Table 4.14 Fee-earning, freelance and support staff: home-based and office-based marketing and public relations businesses

	Home-based businesses		Office-based businesses		All businesses	
	No.	%	No.	%	No.	%
Total staff employed by businesses (a+b)						
1 (sole proprietors)	21	46.7	2	6.1	23	29.5
2-5	23	51.1	9	27.3	32	41.0
6-20	1	2.2	16	48.5	17	21.8
21+	0	0.0	6	18.2	6	7.7
Fee-earning staff (a)						
1	29	64.4	3	9.1	32	41.0
2-5	15	33.3	14	42.4	29	37.2
6-20	1	2.2	11	33.3	12	15.4
21+	0	0.0	5	15.2	5	6.4
Support staff (b)						
0	33	73.3	11	33.3	44	56.4
1	12	26.7	7	21.2	19	24.4
2-5	0	0.0	12	36.4	12	15.4
6-20	0	0.0	3	9.1	3	3.8
Freelance fee-earners						
0	29	64.4	12	36.4	41	52.6
1	4	8.9	3	9.1	7	9.0
2-5	10	22.2	13	39.4	23	29.5
6-20	1	2.2	3	9.1	4	5.1
21+	1	2.2	2	6.1	3	3.8
Total	45	100.0	33	100.0	78 [1]	100.0

Note: [1] one firm was removed from the telephone survey and one firm did not divulge details on staffing levels. Respondents were asked if staff were fee-earning or freelance; fee-earning staff include permanent employees and those who may be on a time-limited contract. Freelancers are hired on an ad hoc basis for short periods of time or perhaps a specific project, and will therefore be on a temporary contract. Assumptions cannot be made regarding place of work, though it is more likely that a contracted or permanent member of staff is based in the business's premises. Respondents were asked how many support staff they had which were not fee-earning.

Source: Telephone survey, January 2007

[22] This survey contained a cross section of industries. 62 per cent were service industries and 29 per cent were BPS (Peacock, 1994b).

Previous research involving a mixture of home-based and office-based businesses has found that 44 per cent of the micro-businesses surveyed (i.e. between one and five employees) were home-based (Walker and Brown, 2004). In contrast the present study reveals that 70 per cent of micro-businesses were home-based (using data from Table 4.14). This is a noteworthy result, a reason for which may be fewer sole proprietorships in the Australian survey compared to this survey or cultural differences, for example, less willingness to employ outsiders in the home (Bryson *et al.*, 1997; Taylor, 1999).

Office-based businesses are more likely to have two or more members of staff with a substantial number having over six members of staff. The sizes of the office-based businesses tally with findings from other research into professional service providers, which have identified a few large firms amidst a plethora of smaller enterprises (Wood, 1990). Though this is useful, the extent to which the larger businesses dominate the market must be investigated. Considering the turnover of these businesses in total it would appear that they do dominate the market place (Beyers, 1992; Wood, 1990).

Home-based businesses have a range of business models. Some plan to expand and use the home platform as a cost effective means to establish a business, while for some the decision is a lifestyle choice (Bryson *et al.*, 1997; Taylor, 1999). At this stage it is not possible to determine whether those home-based businesses that are sole proprietorships want to expand or not. This requires analysis of business models and any planned future expansion.

At the time of the survey, 29 home-based businesses did not use any freelance fee-earning staff. This suggests that many of those working from home may actually be

freelancers for other agencies that offer a 'full service'. For example, some marketers are able to offer a home-based service without utilising outside freelancers because they specialise within a niche area of marketing. The remaining home-based agencies use between one and five freelance specialists. The use of external resources in the form of freelancers has been widely documented within the media industry (Baines, 1999; Baines and Robson, 2001; Ekinsmyth, 1999; 2002). Freelancers often work for clients who were previously their employers (Ekinsmyth, 2002). In this study the firms hiring their services are so small it appears unlikely that they were previously employers. The number of support staff used by home-based businesses is clearer. Considering that the majority of home-based businesses have one fee-earning member of staff, it is not surprising to find that just less than three quarters of these do not have any support staff, while those that do have only one member of support staff (Table 4.12). This person can be a part-time or full-time employee. In many instances the support member of staff is the spouse of the proprietor. Others have discussed the use of a centralised commercial outsourced secretary or administrator.

Office-based businesses are more likely to be using freelance staff, mainly between two and five at the time of the survey (Table 4.12). Reasons for this include the size of a project currently being worked on or acquiring skills that are not held in-house. Office-based businesses are also more likely to use support staff than home-based businesses, with just under one third not using any support staff (Table 4.12). Most businesses use between one and five members of support staff. When businesses expand and have over five employees other factors demand support staff, for example, for administration of payroll, tax and national insurance. The benefits of information technologies have effected greater efficiencies within administration and routine functions (Southern and Tilley, 2000). Despite this, they have not

completely allowed the devolution of this work on to the 'fee-earning' employees, and so there is a recognised division of labour as businesses expand. Three businesses have between six and 20 members of support staff whilst there were only five businesses with 21 or more employees.

4.5 Systems of small business organisations

Research into the geographies of BPS has focussed on categorising firms according to their spatial distribution (Beaverstock *et al.*, 2000; Beaverstock *et al.*, 1999; Sassen, 2001b). These studies tend to suggest that businesses located in urban areas are more inclined towards international trade and inter-firm embeddedness (Luthi *et al.*, 2008; Sassen, 2001b). The initial evidence from this study indicates that classifying businesses geographically is ineffective and instead there is a need to focus on firms and how they operate, their formation and growth (Taylor, 2006; Taylor and Leonard, 2002; Taylor and Thrift, 1982; 1983). Thus, it is more effective to classify businesses according to size, turnover, business model, location of clients and premises. In doing so it is clear that firms exist within a segmented economy (Taylor and Thrift, 1983).

The strength and vitality of an industrial sector is indicated by an economy which is populated by a range of firm types and business models and their subsequent embeddedness (Acs and Armington, 2004; Taylor and Leonard, 2002; Van Stel and Storey, 2004). There are a plethora of studies which have focussed on different groups of business organisations and models (Baines and Robson, 2001; Ekinsmyth, 1999; Grabher, 2002a; Leslie, 1997). These studies almost invariably reveal the complex relationships which exist in the production and

delivery of services within BPS industries. This study, by exploring a single industry within a defined geographic area, has begun to reveal the differences and heterogeneity of firms.

Consequently, the many types of business organisations need to be perceived as operating within a single system (Berger and Piore, 1980; Taylor and Thrift, 1982; 1983). By undertaking an industry based study it is possible to uncover the variety of business types and explore how they interact together. Furthermore, there are factors which suggest that the marketing and PR agencies in this study are inter-linked and are heavily embedded within local systems of production. In line with this the businesses identified in this study can be classified according to the segmentation model (Taylor, 2006; Taylor and Thrift, 1982; 1983). Broadly, the businesses are small and mostly intermediate loyal opposition firms with some laggards and leaders (Taylor and Thrift, 1983). Large business organisations are represented within the office-based businesses and this is in line with previous studies of BPS firms (Taylor and Thrift, 1983; Wood, 1990).

Analysing firms according to the services they provide and the spatial derivation of their turnover indicates that small businesses are providing services at a distance and from locations and premises not normally associated with firms' co-ordinating complex client contracts and projects. Micro-businesses, with fewer than five employees, would normally be considered peripheral but it appears that some are undertaking primary roles in the execution of client projects. Whilst others are fulfilling niche roles within the production and delivery of services to complete client contracts and projects: this maybe in collaboration with other agencies or in-house marketing and PR departments (Baines, 1999; 2002; Ekinsmyth, 1999; 2002; Leslie, 1997).

The results presented so far do not reveal the degree of embeddedness and linkages between firms. Some small firms are engaged in international projects with clients and agencies located both nationally and internationally. How small businesses achieve this requires an analysis of their business operations and the impact of ICT on their form and function (Castells, 2000; Southern and Tilley, 2000; Taylor and Murphy, 2004). It is clear that SMEs are engaging in the production and delivery of activities which tend to be considered beyond the capabilities of this size of firm but which may be enabled by ICT, not just through efficiency savings but also through the ease and low costs of producing and delivering services *via* the internet (Baines, 1999; Castells, 2000; Taylor and Murphy, 2004). Spatial categorisation results in generalisations on the global reach and level of sophistication of services provided. Thus, the experiences of similar types of firms will be examined in light of the evidence here which highlights their ability to service clients at a distance.

Micro-businesses appear to be a common feature of these sectors, as indicated by the ABI data, and reinforced from the results of this survey. Individually the micro-business may appear insignificant, but cumulatively they represent important elements in the production of marketing and PR services, not least in the West Midlands. It is argued that regional BPS and micro-businesses provide a general service and fulfil demand which has increased across the business spectrum and is no longer confined to the largest companies (Sassen, 2001b). Marketing and PR agencies can fulfil niche roles within their industries. The nuances of their specialist activities need to be examined closely, focussing on their business organisation and production. Agencies can specialise in two ways: first, in the services in the provision of marketing and PR specialisms, for example online media or ‘crisis PR’; and second, by sector, for example, the agricultural sector or metal manufacturing. The micro-businesses

within the marketing and PR sectors do display tendencies towards these forms of specialist activities as well as undertaking work for clients requiring specialist knowledge. This business model is more likely to specialise and handle fewer clients (Ekinsmyth, 1999; Leslie, 1997). Furthermore, their location within a regional setting does not hinder their ability to service these clients (Beyers and Lindahl, 1996). Therefore, it is essential to appreciate the type of roles that micro-agencies undertake within the production and delivery of marketing and PR industries (Baines, 1999; Ekinsmyth, 1999; 2002; Leslie, 1997).

The majority of the agencies participating in this study were either sole proprietors or employers of one or two individuals (Taylor, 1999). The emphasis that is placed in this study on employees reveals the ways in which individuals embody the businesses and *vice versa* (Bryson *et al.*, 1997; Grabher, 2001b; Storey, 1991; Taylor, 1999). The results presented here indicate that there are many businesses which are the product of the individual's previous experiences and primary talents (Delmar and Davidsson, 2000; Dollinger, 1995; Henley, 2005). Therefore it is necessary to explore the backgrounds of these individuals to go behind the façade of the business and explore the genesis of the firm formation process (Delmar and Davidsson, 2000; Fletcher, 2006; Lawton Smith *et al.*, 2005). This will permit a deeper analysis of how these businesses are able to operate within a regional setting and facilitate the requirements of national and multinational clients located in the region and beyond (O'Farrell and Wood, 1998).

The evidence indicates that micro-businesses represent alternative methods of working, as businesses collaborate with one another (Grabher, 2002a; 2002b) and use affiliates which may not be geographically proximate (Castells, 2000; O'Farrell and Wood,

1998; Ramsey and McCole, 2005). Agencies and some sole proprietor consultants represent elements in a series of linkages between specialists who come together in time and space to fulfil a client's project (Ekinsmyth, 2002; Grabher, 2002a). Micro-businesses operate within these linkages in two distinct ways: first, as important providers of resources and capabilities, drafted in by larger agencies to undertake a specific part of a client's project; and second, a client may employ various agencies that are expected to work together to deliver a complex project specification. A mixture of both operational models can be identified. This suggests that businesses are embedded within systems of production and delivery and that these are sustained by linkages and relationships between a series of individuals (Araujo *et al.*, 2003; Dicken and Malmberg, 2001; Oinas, 1999). Furthermore, because the firms in this study are usually small it is likely that the firm relies on personal contacts and referrals when first established and for production and clients (Keeble and Nachum, 2002; Saxenian, 1996; Search and Taylor, 2002; Watts *et al.*, 2006).

These operational models manifest themselves in new geographies of production and delivery. This is highlighted, in the mixture of home-based and office-based businesses that dominate the exploration of the form and function of the marketing and PR industries in this study. Moreover, previous research has indicated that non-standard premises and geographies of production may be facilitated by advancements in ICT, for example, one partnership firm is based at the two partners respective homes (Beyers and Lindahl, 1996; Ekinsmyth, 1999; 2002). Advancements in ICT have led to the upskilling of workers operating within these industries because they are able to undertake more work which can be completed in less time. Sophisticated computer software packages mean skills which previously needed to be subcontracted to specialist workers can now be conducted by most with the use of the relevant

computer hardware and software (Southern and Tilley, 2000). This is coupled with new and dynamic forms of communication such as email, the Internet and mobile telephony (Beyers, 2000; 2003). The prevalence of agencies operating from this variety of spaces must indicate that rather than marginal or unusual this collection of different business models is the norm and an agency can operate from any one of them.

The marketing and PR industries within this study represent elements in the backward and forward linkages of the production and delivery of services. In many cases these elements, appear individually insignificant, however it is argued here that they are integral to the wider system of service production and delivery. Previous research which has paid greater attention to individuals within firms has argued that they come together to undertake specific projects for clients before dissolving again (Grabher, 2002b), whilst others have focussed on forming projects from spatially dispersed individuals within multinational corporations (Faulconbridge, 2008). The present study argues that beyond multinational companies and firms with numerous employees, sole proprietors and micro-firms are able to engage in similar activities. These frequently micro-businesses are on the whole urban based but there is evidence that they are increasingly geographically dispersed and rarely have other premises. Indeed, because of the emphasis placed on the individual, rather than the firm, as a unit of analysis, it further justifies the need to engage in research which explores the activities of these micro-businesses.

The agencies in this study operate as either ‘coordinators’ or ‘practitioners’. Coordinators are given the responsibility from a client to conduct and organise a project. Practitioners are employed to undertake a specific aspect of the project. They may have a

client contact, but this depends on how the coordinator organises the project. Some agencies operate as both practitioners and coordinators whilst others will only fulfil one of the roles (Madill *et al.*, 2004; Uzzi, 1996). This implies two things: firstly, because an agency may be a micro-business projects are fulfilled by employing practitioners. Although the coordinating agency may only consist of a sole proprietor they have the potential to oversee large client contracts. Secondly, this suggests that the coordinators and practitioners are part of complex networks of backwards and forwards linkages which must be investigated so that the complexity of the systems of production and delivery of services can be revealed.

The practitioner – coordinator model again reveals some of the complexity in the organisation of production within the marketing and PR industries. It uncovers the nature of the linkages between firms within the industry and their relationships with 'clients' from outside of the industries (Araujo *et al.*, 2003). Indeed, this follows the types of boundaries highlighted by Oinas (1999) including 'network partners' and 'markets'. The reliance on relationships and networks for these small firms once again highlights the fragility and power between individuals and firms operating within a network (Dicken and Thrift, 1992; Taylor and Leonard, 2002; Uzzi, 1996). The location of clients inferred from the geography of turnover (Table 4.13) suggests that there may be novel and complex ways in which businesses are engaging with clients at a range of geographic distances but they do not reveal the nuances of these relationships (O'Farrell and Wood, 1998). The identification of these categories of businesses suggests that there are likely to be complex relationships between firms (Taylor and Leonard, 2002). The level of embeddedness depends not only on the clients they have and production networks in which they operate but also on the business model adopted by the founder (Madill *et al.*, 2004; Uzzi, 1996). The quantitative findings presented in this chapter

provide some evidence of the complexity of these linkages but the true nature of how they operate requires deeper analysis.

4.6 Conclusion

The sub-regional area of the West Midlands explored in this study is an important location for BPS industries and this has enabled an analysis of the business organisations operating within the marketing and PR industries in the context of this vibrant economic backdrop. By taking a whole sector approach it has facilitated a study which is able to examine both spatially and temporally the networks and linkages that exist between the agencies that comprise these industries in the sub-regional area. The analysis encompasses all business organisations and traces the story of firms through time and over space allowing their growth and evolution to be revealed. This emphasises the need to conceptualise business organisations as being part of a system rather than groups of unrelated business units held static in time and space (Taylor and Thrift, 1982; 1983). From this snapshot of businesses it is possible to undertake a deeper analysis of the linkages and networks which exist between these firms and which enables the system to function.

The clustering of some firms in the region around urban centres such as Birmingham, Solihull, Coventry, Worcester and Warwick-Leamington Spa-Kenilworth suggests that firms operating within the industry are heavily embedded in local networks, particularly for production (Britton, 2004; Devine *et al.*, 2000; Keeble and Nachum, 2002; Porter, 2001; Search and Taylor, 2002) (Map 3.2). Beyond these centres there is a scattering of rural based businesses. How these operate and link into the processes of organisation and production

needs to be explored. For example, on the one hand these businesses may represent a back office function or provide excess capacity for larger agencies in the form of freelancers (Britton *et al.*, 2004; Devine *et al.*, 2000; Ekinsmyth, 2002) on the other hand they may be engaged in more innovative forms of business organisation and production facilitated by new technologies and more liberal attitudes towards business location (Britton, 2004; Castells, 2000; Leslie, 1997).

The geography of revenue and activities undertaken by businesses begins to expose the ability of the sector to self-replicate and maintain existing levels of activity and output. Gathering data to facilitate a profile of the industry has permitted this study to be compared to other studies which have identified particular nuances within the organisation and functioning of service firms and in some cases manufacturing firms. For example: the use of freelance workers (Baines and Robson, 2001; Ekinsmyth, 1999; 2002), the identification of small potentially highly flexible agencies offering niche services to clients at a range of spatial scales (Beyers and Lindahl, 1996; Bryson and Rusten, 2004; Leslie, 1997), and the use of the home as a place to establish a business and as an ongoing business model (Ekinsmyth, 1999; Fritsch *et al.*, 2006; Jay and Schaper, 2003; Peacock, 1994b; Stanger, 2000b). These examples represent elements of a larger system of business start-ups, growth and evolution.

Conceptualising these business organisations as part of a larger system of production and delivery will enable dynamism and change to come to the fore (Taylor and Leonard, 2002). For example, the role of the home in the establishment phase of the business and as it develops over time must be explored more thoroughly. The growth of the business in terms of staff and turnover will shed light on the business plans of entrepreneurs and the impact this

has on the longevity of firms. Also the previous experiences of founders and their personal requirements will elucidate the business models of firms. By focussing on the individual the reasons which lead them to establish a business as well as their existing networks with the rest of the industry which may be a factor in their decision-making will come to the fore, for example, networks between firms are considered imperative for their long term survival (Castells, 2000; Grabher, 2002a; Granovetter, 1985; Taylor and Leonard, 2002).

The sub-regional study area posses many of the factors which are likely to enhance and encourage entrepreneurship for example, geographical industry concentration of marketing and PR and associated industries, an area rich in desired lifestyle factors (Daniels and Bryson, 2005; WMRO, 2005), which in turn has helped to attract individuals who are affluent, well educated and used to positions of responsibility (Love *et al.*, 2006; WMRO, 2006). A history of firm formation has resulted from strong economic growth (not least because of the regional BPS centre of Birmingham and the adjacent urban areas of Solihull and Coventry) and a diverse economy. This has created an economically vibrant and dynamic area where cumulative causation is maintaining that growth and prosperity. This is evident in the low mean numbers of employees (Table 4.5) and structurally diverse sectors in terms of business sizes.

It appears that when an individual has the required knowledge to establish a firm then low barriers to entry enable them to commence trading from home. As a consequence HBBs represent a major component of firms' premises. Some firms commence trading at home whilst for others it forms an integral part of their long term business model. The analysis provided here is useful but it sheds little light on the temporality of businesses and whether

businesses remain home-based or move to an office. The subsequent chapter will explore the process of firm formation from the perspective of the individual before examining the histories of firms premises explore whether the HBB represents back office functions and excess production capability for larger more established agencies. Even so, there is evidence here that some HBBs do grow and become large enterprises, although their ability to last beyond their founders' retirement cannot be assessed.

CHAPTER FIVE

CRITICAL INCIDENTS AND TIPPING-POINTS: BUSINESS FORMATION IN MARKETING AND PUBLIC RELATIONS

5.1 Introduction

This chapter explores the factors that influence the decision-making processes of entrepreneurs and examines this process by focussing on how these factors interact. To fully understand the process of entrepreneurship it is necessary to situate the individual in the context of the regional and local economy, not least because this is an important indicator when monitoring levels of entrepreneurship (Blanchflower and Oswald, 1998; Fletcher, 2006; Lawton Smith *et al.*, 2005). By focussing on the individual the temporality and spatiality of the decision-making process of the pathway to entrepreneurship is revealed.

The concept of a tipping-point critical incident has been developed to identify the point at which a decision is made to establish a business. It represents the point at which a critical mass of factors leads to a decision to become self-employed and an entrepreneurial moment. For this research the CIT has been modified and reconceptualised to differentiate between critical incidents which behave as isolated factors, or which at a previous point in time and space, were not strong enough individually to form a tipping-point. A tipping-point critical incident provides the catalyst to an individual's decision-making process to establish his or her own business. The interplay between the critical incidents is elucidated through four case studies that examine in detail all of the critical incidents which lead the individual to

establish a business and become self-employed. The case studies will also be used to begin to categorise firms according to the segmented economy model (Taylor and Thrift, 1982).

The chapter is divided into four sections. The first section will discuss the tipping-point in relation to the modification of CIT and the subsequent affect this has on the interpretation of the decision-making processes of individuals. The second section explores the pre-business formation experiences of individuals who subsequently decided to establish their own enterprise. Lastly, the third section presents the critical incidents revealed in the in-depth interviews with respondents who established businesses. This section will embed this empirical evidence within the theoretical approach developed in Chapter Three.

5.2 Tipping-points

A tipping-point represents a critical incident that results in an individual making a potentially life-changing decision. It also incites other critical incidents which then precipitate a decision even though the ultimate critical incident is not necessarily be the largest or most significant. Instead, the tipping-point represents the point at which a critical mass of persuasion is reached, when an individual decides to take a different direction, and one which will very often be life changing.

The concept of a tipping-point has been discussed from a sociological perspective by Gladwell (2000), who defines it as "the moment of critical mass, the threshold, the boiling point" (Gladwell, 2000:12). He discusses tipping-points as times when a great change takes place and cites, as an example, the sudden rise in the popularity of Hush Puppies (Gladwell,

2000). Furthermore, he describes the tipping-point as leading to an 'epidemic' and for this to occur there are three factors that must take place: how they are facilitated, by whom, and how they spread. Gladwell (2000) notes the importance of context, because humans are affected by their environment. The phenomenon of the tipping-point in individual decision-making reinforces the fact that critical incidents are part of their environments. Investigating critical incidents at the individual level is crucial for appreciating how the environment affects critical incidents and turns some of them into an individual's tipping-point. Thus, Gladwell's (2000) tipping-point is viewed as working at the individual level, and therefore by implication a geographic level.

Critical incidents in a decision-making process are the factors that lead an individual to move from one thought or theoretical position to another. These may be positive or negative. Negative factors will push an individual to seek to move from their present position to another. A positive factor which is gained from a new venture or idea will help to sway the mind of an individual. Both positive and negative factors can induce change. An employee may face negative factors and positive factors for a long time, for example a long commute to work or lower pay, but may not decide to become self-employed or establish their own business. Conversely, a good pension scheme or a pleasant working environment may outweigh the negative factors.

Therefore it is suggested here that the group of critical incidents will eventually come together, and produce a collective critical mass, which is holistically stronger than the separate critical incidents. Providing a tipping-point for the analysis in the present study is useful because it allows a critical incident to be singled out as the factor inciting a change of

direction in an individual's life. The tipping-point is the catalyst, bringing the critical incidents together and forcing a decision for change. CIT is used to understand phenomena in greater in-depth, and the factors which may not have been previously recognised by using a deductive methodology and a presupposed framework or concept. Some research which has also used CIT does not make use of a tipping-point critical incident, and so the analysis may appear truncated, because a climax or threshold of incidents is not reached. Pinpointing a critical incident that tips the balance from the *status quo* to making a decision which alters the direction of an individual's life elevates the understanding of the decision-making process. Therefore, it is important to analyse critical incidents either chronologically (Edvardsson and Roos, 2001) or as an intertwined mass if experienced concurrently over a short space of time (Lee and Cochran, 1997). The tipping-point critical incident can then be individually evaluated.

By using the notion of a tipping-point in the analysis of critical incidents this study assumes that such incidents are inter-related and that there is a degree of dependency between them. The identification of a tipping-point critical incident demands that interviewees are able to recall accurately and extensively details of the phenomena that are being investigated. However, it must also be noted that complete recall of a decision-making process which may have occurred many years ago is likely to be sanitised and some of the finer nuances lost. On the other hand, previously forgotten details may be recalled as respondents revisit and work through their memories of the factors which influenced their decision-making process.

5.3 Pre-business formation

An individual who has fulfilled a number of years as an employee, or successfully undertaken certain roles and positions, may not necessarily become involved in business formation. Instead, the route to self-employment is varied and can occur at any career stage. The present research examines why individuals decide to establish their own business and in doing so has determined a number of attributes within the marketing and communications industries common to many of them. Furthermore, whilst attributes of those establishing businesses are revealed, there are also insights into the barriers or codes of entry into marketing and PR has also come to the fore.

This section explores the processes and life experiences that are common to those establishing their own businesses. It will also review the stages and developments within an individual's personal life and career within marketing and PR services. This will include the level of formal education necessary to enter the industries and the informal training and skills acquired whilst working within them. The in-depth interviews highlighted a series of critical incidents (Flanagan, 1954) that culminate to create a tipping-point after which the individual decides to try self-employment.

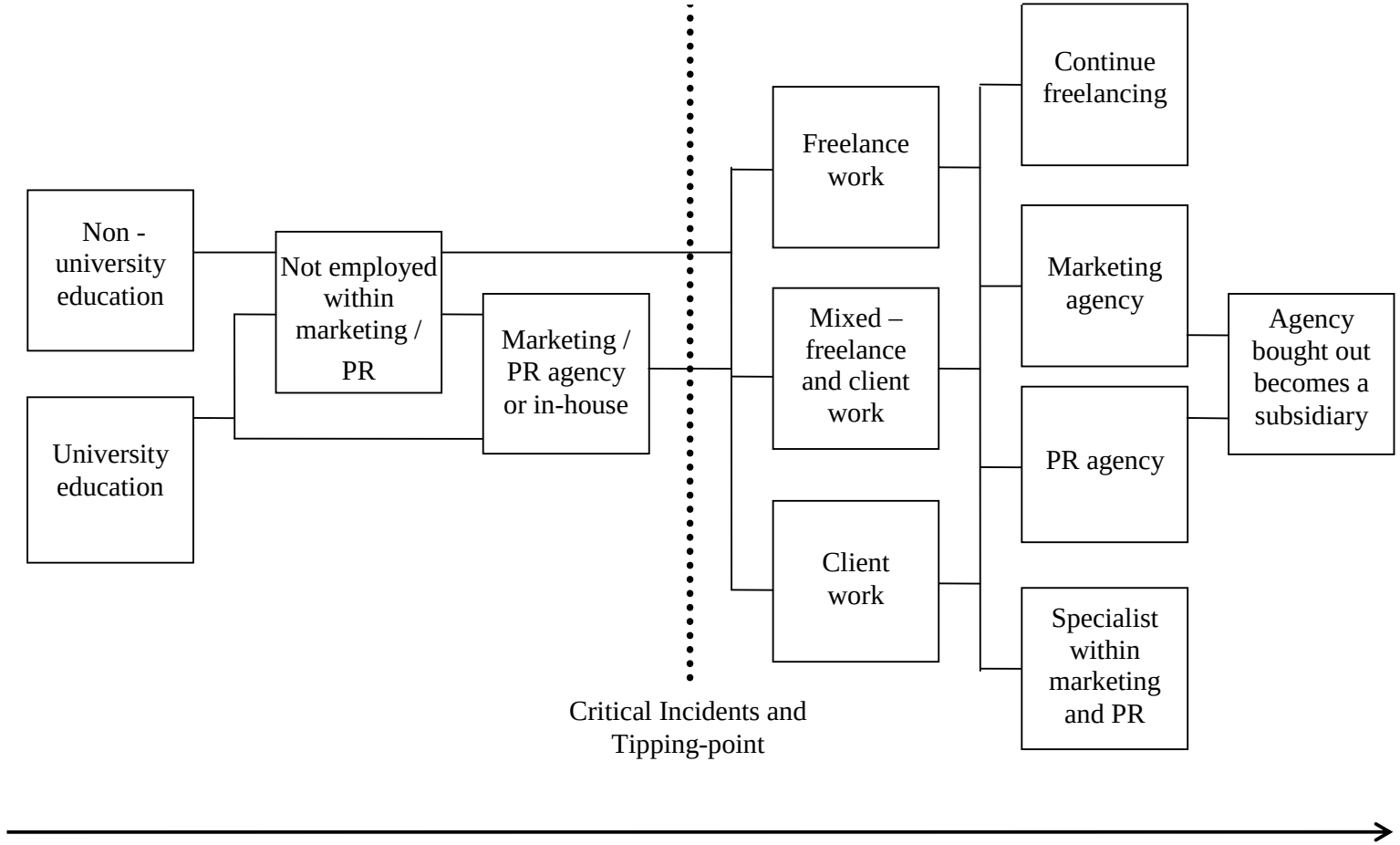
5.3.1 Pre-business establishment: entering a career in communications

The career path of an individual frequently follows a set of fairly standardised stages. These are bounded by a range of financial and social events and decisions, which together culminate in a tipping-point at which an individual realises an opportunity from which to

move from being an employee to self-employed. This research has identified stages and moments that are experienced by many of the respondents (Figure 5.1). At least two stages can be identified prior to self-employment and the establishment of a business: firstly, a period of education which may include higher education (Henley, 2005); and secondly, a period of employment. In the context of this study that may include work within a marketing or PR agency, but not necessarily, since individuals may work in a related industry or within an in-house marketing department. Following the decision to become self-employed an individual will establish one of three business types (Figure 5.1). This is usually the initial start-up phase, after which the long term business plan may be modified, so that the individual becomes an employer or moves from conducting work for other agencies to working directly with clients. If an agency is established, it may be bought out or taken over at a later date by a larger agency. Indeed some agencies are dissolved when their founder retires.

These stages will now be discussed in greater detail and their significance evaluated. The telephone survey and in-depth interviews identified a range of routes into the marketing and PR industries. However, the emphasis here will be partly on education and the time immediately before the business was established and the critical incidents that led to the formation of the new business.

Fig 5.1 Routes to self-employment and business formation in marketing and public relations



Education

For those entering employment in marketing and PR services a university education is not a prerequisite. The telephone survey revealed that only half of respondents had an undergraduate degree, the proportion is highest for those below 55 years of age. This could be due to two reasons: firstly, for older respondents who are more likely to be the business owners, a university degree was less important for them when they embarked on their careers. Secondly, they are more likely to have had a professional qualification or 'on the job' training. Some had initially undertaken apprenticeships in professions such as printing immediately after leaving school.

Table 5.1 Respondents citing higher education and/or professional qualification by age

	Age											
	18-24		25-34		35-44		45-54		55+		Total	
Degree	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Undergraduate and Postgraduate	3	75.0	11	100	10	62.5	23	82.1	5	25.0	52	65.8
Professional Qualification	1	25.0	0	0	5	31.3	6	21.4	9	45.0	21	26.3
Size of age cohort	4		11		16		28		20		79 [1]	

Notes: [1] number of times qualifications were cited.
Source: Telephone Survey, January 2007

Recent entrants to the industry are more likely to have a university degree because of national efforts to encourage students to attend university. The in-depth interviews revealed that degrees are in either social sciences (economics, business studies, and frequently include

a marketing module) or arts subjects (English, history or languages). This is unusual as most studies of entrepreneurship highlight the likelihood that they will have gone to university (Delmar and Davidsson, 2000; Henley, 2005).

Employment prior to business formation

Most studies on entrepreneurship start from the point of an economically active adult population (Henley, 2007). Studies tend not to explicitly to explore the previous work experience of individuals, but rather they focus on knowledge spillovers or acquisition of knowledge (Audretsch, 2002; Audretsch and Keilbach, 2004). The benefit of a sector based study permits an indepth analysis of the previous working experiences of entrepreneurs. Those entering marketing and PR industries, following a university education, do so through two alternative routes (Figure 5.1). Some work in a range of job roles until they inadvertently end up in marketing and PR or are employed in an associated area. Sometimes it can be in an industry in which later they specialise in marketing and/or PR tasks. For example one respondent worked for a tyre manufacturer and ended up working in the motor racing department and an interest in this led to writing articles for a national motor racing publication (interview HO1-3 28-09-07). Some worked for corporate organisations and worked through various departments before settling on the marketing department.

The majority of respondents were previously in the marketing and PR industries and within an ‘agency’ environment (Table 5.2). The 36 respondents establishing a business included 25 who had previously worked within a marketing and PR environment. Employers are often unwittingly instrumental in pushing employees into a decision to establish their own

business; this may be through threat of redundancy or structural upheaval within the business which can, disrupt employees.

Table 5.2 Previous employment status of depth interview respondents

Previous employment	No.	%
Agency	15	37.5
In-house agency	10	25.0
Not directly marketing and public relations	9	22.5
Freelancers (joining as agency as directors)	2	5.0
Employees and not firm founders	4	10.0
Total	40	100

Source: Depth interviews, Summer 2007

The findings here indicate that a degree in marketing or PR does not necessarily equip candidates with the relevant transferable skills (though in some cases respondents had completed degrees with marketing modules). On the whole, the actual skills of marketing and PR are acquired in the agency or in a similar environment such as an in-house marketing department. This is in contrast to professional occupations such as solicitors or accountants who are required to complete specific academic courses. Even those who do not have a degree in those subjects will have to do a transfer course and this is followed by a range of compulsory courses from professional institutions before they can practice. Such qualifications are not required to practice marketing and PR and leads to questions as to whether the marketing and PR industries are 'professions'. Even so, some respondents mentioned that they had taken courses administered by the Chartered Institute of Marketing (CIM) or the Chartered Institute of PR (CIPR).

The area of marketing and PR and the type of clients dealt with by an individual will have a significant impact on an individual's career, and on the business models of those who decide to establish their own businesses. Indeed, the experiences that individuals have in companies, whilst employed, will significantly influence their decision whether or not establish their own businesses. Long term work experience, particularly within the industry in which the entrepreneur establishes their business represents a form or training or preparation. Preparation by the entrepreneur, prior to the establishment of a business, has previously been highlighted as being of significant importance to the long-term success of new enterprises (Henley, 2007). In addition there are issues that occur in their personal lives which help individuals to decide to leave formal employment.

The issues the respondents have discussed will be referred to here as 'critical incidents': these appear to be the key reasons why individuals in marketing and PR decide to set up their own businesses. This may help us understand why professional services in general are characterised by a few large businesses and a plethora of smaller businesses. Large businesses have been identified as 'seedbeds' from which employees decide to become self-employed. From an analysis of the decision-making processes of entrepreneurs and their employee history it will be possible to appreciate the role of large companies in the business formation process. It is to this that the discussion now turns.

5.4 Business formation and entrepreneurship

The reasons why individuals decide to set up their own businesses are varied. The causes of business formation are linked to entrepreneurial activities, and the ability of

individuals to take advantage of market developments as well as personal developments. There is extensive research into the causes and importance of entrepreneurship (Acs and Storey, 2004; Audretsch, 2009; Audretsch *et al.*, 2002; Belso Martinez, 2005; Blanchflower and Oswald, 1998), and in particular the factors that create an environment conducive to increasing entrepreneurial activity and in turn business formation (Audretsch and Dohse, 2007; Audretsch and Keilbach, 2007) (Chapter 2).

Research has usually focussed on the environment in which entrepreneurial activity or business formation takes place (Tamasy and Le Heron, 2008; Van Stel and Storey, 2004). However, the factors involved have been studied in isolation from each other and as separate 'incidents'. Whilst this may appear useful for identifying the 'levers' which on a macro-economic scale lead an individual to form a business, it does not provide an adequate explanation for the emotions and decision-making processes by an individual. Incidents that may appear as extraneous come together in particular ways. Incidents cannot be properly understood in isolation and must instead be viewed as a set of factors that produce intricate dynamics that lead to new business formations. CIT (Chapter 3) offers a more coherent method for analysing decision-making processes and the subsequent exploration of the factors influencing new business formation.

The technique permits respondents to discuss an event or set of issues in detail. The researcher elicits this information using a discursive narrative with the respondent. Because the respondent is able to freely discuss and relate the events leading to self-employment, it is possible to uncover the interplay between different factors as they occur in the individual's life. This interplay would be lost if a respondent is asked to list factors leading to a decision to

establish a business or have factors suggested which they then choose. The order in which critical incidents occur, and the subsequent interplay between them, is crucial to providing a fuller and deeper analysis of the decision to become self-employed. Furthermore, this method demonstrates that whilst many of the incidents experienced by entrepreneurs are similar, the temporality of incidents and the peculiarities of time and space interact in very specific ways for each individual. The following section demonstrates the use of CIT to identify and examine the incidents identified by respondents as influencing their decision to establish a business.

5.4.1 Motivations of individuals establishing marketing and public relations businesses

Managing directors and directors comprised 69 of the 79 respondents, whilst 73 respondents were within businesses that were locally owned with no affiliates or branches elsewhere.[23] The respondents who took part in the in-depth interviews were asked about the reasons why the business was established: 34 were able to discuss and relate the details of the decision to establish the business. [24] Only one of these respondents was not the founder. [25] Two of the respondents established firms in a partnership. Respondents were asked to relate in detail the stages and the critical incidents leading to the decision to become self-employed. In total the narratives of the events leading to the decision to establish a business and become self-employed, resulted in the identification of 147 critical incidents that have subsequently been grouped into 19 categories.

[23] Of the remaining 10 respondents, 4 were office managers, 5 were account managers and 1 was a secretary.
[24] Six respondents are not included in this analysis: two because they were not the founders and did not know the exact reasons for the founders' decisions to establish the firm. Of the remaining four respondents, two joined the businesses as employees eventually becoming directors/partners, and two joined businesses as new directors of existing businesses.
[25] This respondent was a director and had worked for the company since two years after the business had been established.

These are further aggregated into four groups: the individual, the employer, domestic situation and developments within the industries (Table 5.3). Individual reasons were cited mostly as the reasons for establishing a business (75 mentions), followed by employer reasons (49 mentions) (Table 5.3).

The in-depth interviews with respondents highlighted the key role of an individual's personal and emotional motivation for establishing their own business. There are two things to note (Table 5.3). Firstly, the ordering of the critical incidents does not represent a hierarchy of factors, rather it represents the number of times factors or critical incidents were mentioned. Secondly, the factors work in combination and not in isolation. Before the case studies are presented the critical incidents will be elaborated further and some of the interplay between them discussed.

Table 5.3 Critical incidents initiating business formation

Origin of incident	Critical incident leading to own business establishment	n= [1]
Individual	Accumulated knowledge	23
	Desire self-employment and autonomy	20
	Lifestyle: flexible hours/work from home/no commute	13
	Offers of work	10
	Age	8
	Make more money	3
	Already owned a company	1
Employer	Personnel changes/company acquisition/re-organisation/branch closure/relocation / bankruptcy	19
	Redundancy/made unemployed	13
	Employer offers freelancer/consultant contract	8
	Unhappy or bored with employer/industry	8
	Previous partnership ended	3
Domestic	Care for children and family	6
	Maternity leave	3
	Additional financial support for family	2
Industry	Identified niche	5
	Marketing and public relations industry changed	3

Note: [1] number of times respondents cite impact. A respondent may have more than one incident listed under a category because they have been amalgamated. For example a respondent may have said that they wanted to work from home because of fewer hours and no commute to work.
Source: In-depth interviews, Summer 2007

The Individual

The in-depth interviews revealed that the attributes and personal requirements of the individual are key factors in the decision-making process leading to self-employment. These have been previously identified (Audretsch, 2002; Audretsch and Keilbach, 2007; Bryson *et al.*, 1997; Delmar and Davidsson, 2000; Dollinger, 1995; Fletcher, 2006; Henley, 2007; Keeble and Nachum, 2002) but this research demonstrates that they work alongside other

factors contributing to an individual's decision-making process as they move towards the establishment of their own business.

The knowledge possessed by an individual is crucial to their ability to establish their own business (Henley, 2005; 2007). The proliferation of small firm formations since the 1980s, has raised questions about how small enterprises are established and how their founders acquire their industry knowledge (Audretsch, 2009). It is argued that the knowledge is gained from previous industry employment and the process of entrepreneurship facilitates a "conduit for knowledge spillover" (Audretsch and Keilbach, 2007:1253) which then enables the knowledge to be commercially exploited (Audretsch, 2009). Furthermore, those acting on this knowledge would not be able to do so, or consider establishing a business in that industry, if they had not previously worked in it (Audretsch, 2009; Audretsch and Keilbach, 2007). This further explains the importance of appreciating the decision to become self-employed is the outcome of a number of factors or critical incidents. The individual is unlikely to become self-employed just because they have the required knowledge, but when other factors are included, the cumulative effect results in a decision to become self-employed.

There were seven individual traits and circumstances influencing business formation. The most frequently cited or implied is classified here as *accumulated knowledge*, (Table 5.3). Although the knowledge possessed by an individual does not usually act as the tipping-point in a decision-making process, this "prior knowledge" is crucial to an individual's ability to become self-employed (Shane, 2000). Indeed, although there are low barriers to entry, without this acquired knowledge it is unlikely they would be able to establish a marketing or PR business, particularly if they are a sole proprietor. This is difficult to quantify and of

course individuals were unable to itemise the entirety of their knowledge. They were in possession of "tacit knowledge" which enabled them to carry out functions and duties alongside "explicit knowledge" in the form of marketing and PR techniques that are second nature (Polanyi, 1966).

Respondents also display a *desire for self-employment,* because of their experience of seeing clients independently and a brief that they would be able to control their own future (Table 5.3) (Dollinger, 1995; Rotefoss and Kolvereid, 2005). Conversely, an employee not interested in self-employment may instead concentrate their efforts on building and consolidating their position within the new company or applying for jobs in other companies.

For home-based businesses, in particular, certain *lifestyle* factors were important in their decision to go it alone (Good and Levy, 1992; Jay, 2003; Walker and Brown, 2004). This encompassed a range of often idiosyncratic reasons that respondents put forward as motivating them to establish a business, such as wanting more time with family and friends, a job that did not command their life or more flexible hours of working. Other respondents cited benefits such as not having to commute to work, or being able to care for a disabled spouse.

Some respondents noted that potential clients had suggested that if they were ever to become self-employed or 'go freelance' they would provide them with work (Table 5.3). Respondents were quick to add that *offers of work* were no more than just offers not guarantees if they did decide to establish their own business. But for those contemplating establishing their own businesses this was another important factor in the decision-making

process. Indeed contacts such as these are vital for the initial as well as continued success of a new business.

Reaching a certain *age* had influenced respondents' motivations to form their own businesses (Table 5.3). Two experiences emerge. First, for those in the middle of their careers, it was a case of 'now or never'. Previous research has indicated that older people have the skills to become successful entrepreneurs, but lack the desire: conversely, younger people have the desire but are usually devoid of the competencies required (Rotefoss and Kolvereid, 2005). This view included trying to establish a business at a young age, so if they did not succeed they could return to formal employment (e.g. interview NH4-10, 13-06-2007). Another respondent had intended to set up his business when he reached 60 but due to redundancy this was brought forward by three/four years (interview HO1-7, 09-08-2007). Whilst it is clear that other factors were influential in these cases, age has a bearing psychologically on respondents' motivations. For some they did not want to regret not doing something different in their life before they were too old. Others were nearing retirement and viewed the establishment of their own business as a safe thing to do because of the cushion of an impending pension and being relatively financially secure in life with their children having left home. Following the official retirement age at 65 they could slowly wind their business down.

Establishing a business to *make more money* than they were making as employees for other agencies was cited by only three respondents (Table 5.3). In reality the success of some of the other businesses may mean that more of them were established because of this. Indeed,

the number of respondents who wanted to be their own boss may indicate an ambition to be more than an average employee with an average wage.

It is clear from the respondents that the ambition of the individual is an essential ingredient in their ability to establish their own business. As well as this, the confidence which is gained through experience and accumulated knowledge is key for those establishing a new business. In the following section the emphasis will turn to factors which are frequently beyond the control of the individual. Even so, they will still influence the motivations and decision-making processes of the employee contemplating their own business.

The Employer

The impact on the individual when their employer is being acquired by another business can be the final straw for some employees. This was shown to be important in the in-depth interviews for many of the respondents who established businesses. Most of the current research focuses on the impact of redundancy or unemployment as a factor in firm formation (Rotefoss and Kolvereid, 2005) or entrepreneurs acting on untapped innovations resulting in knowledge spillovers (Audretsch and Keilbach, 2007; Varga and Schalk, 2004). The last employer of many of the respondents had a major influence on their decision to establish their own business. This section will outline the employers' influence on their employee's decision to become self-employed.

The most common types of disruption instigated by an employer are *personnel changes, company acquisition or re-organisation, branch closure, relocation and bankruptcy*

(Table 5.3). Each of these was mentioned by respondents as creating a 'natural break' in their careers, a junction at which they re-evaluated their lives and decided that it was the right time to take a slightly different direction. The majority of respondents already had a kernel of ambition to establish their own business in some form. But this does not become prominent until other incidents take place. Indeed, the disruption respondents experienced at work was often the factor that 'pulled together' all of the other factors and thus acted as a tipping-point from which it was decided to seriously consider forming their own business.

Business re-organisation can be particularly advantageous to an individual with a desire to establish their own business if *redundancy* payments are being offered or if the employee is able to be reengaged by the employer as a *freelancer or consultant* (Table 5.3) (Ekinsmyth, 1999; Grabher, 2002b; Leslie, 1997). Both of these are important because they provide the employee moving into self-employment with a financial cushion during the transition period. Although redundancy pay has changed over time, and because employees are encouraged to change jobs more frequently than in previous decades, redundancy payments may, however only equate to a few month's salary.

Lastly, respondents were unhappy with their employers because they may dislike the administration of direction in which the business was being directed, thus they became *bored and unhappy with employers* (Table 5.3). Perhaps this would have led other employees to search for alternative employment; however, for these respondents it was another reason to focus on their own ability and the possibility of forming their own business. Some were established by respondents when *previous partnerships ended,* some for irreparable reasons, leading the partners to agree to go their separate ways. Some of these respondents had joined

businesses as employees, later becoming partners in the businesses. Other respondents had joined agencies as managing directors, having previously worked on a freelance basis for a number of years. The next section will outline the role of domestic issues in the decision-making process of individuals.

Domestic situation

There was evidence from both men and women that one of the reasons that they decided to form their own businesses was so that they could be geographically *close to family and children* (Table 5.3) (Baines and Robson, 2001; Beyers and Lindahl, 1996; Keeble and Nachum, 2002). This included women who wanted to go back to work but had to reconcile this with a need to look after children (Henley, 2007) and one male respondent did not want to move his entire family away from the West Midlands following the closure and relocation of his employer's branch.

Women accounted for four of the eight respondents mentioning domestic issues as a reason for establishing a home based business. Three used the opportunity of paid *maternity leave* to establish their businesses. The fourth left work to care for her family but decided to develop a business at home to provide *additional financial support for the family*. Some men and women used redundancy and/or the potential offer of freelance or consultancy work from their previous employer as the 'kick start' they required to establish their business. In this section paid maternity leave for the entrepreneurial female has offered a similar opportunity. A transition period, during which a guaranteed income coupled with 'free time' was available

combined to provide an opportunity to establish their own client base as well as refining the service they offer.

Industry developments

Finally, respondents noted that developments within the marketing and PR industries had been a factor in their decision to form their own business. Indeed, such developments for some respondents represent the opportunity that they subsequently exploited. These are endogenous factors and they have emerged from an individual's own experiences; they provide the context within which the individual decides to become self-employed, and therefore the context in which the entrepreneur decides to exploit knowledge to their own advantage. This process demonstrates that the entrepreneurial environment is not fixed across space; the decisions of individuals need to be analysed in relation to their environment (Audretsch and Keilbach, 2007).

Respondents sometimes *identified a niche*, which they felt they could successfully exploit *via* their own business; for example, one respondent specialises in PR for companies offering franchises, whilst another respondent focused on the buying and selling of media campaigns (interview NH1-21, 20-09-2007). Thus, there has been a move towards specialisation in both the services offered and industries served. There are businesses that specialise in particular skills within marketing and PR.

This has led to two outcomes. The first are businesses specialising in a particular service within marketing and PR, and the second are small full service agencies who buy in

the specialist skills as necessary to service their clients. The small service agencies, often sole proprietors, do not keep the skills in-house to do the work but instead hire specialists with key skills as required to fulfil client contracts. One respondent noted that his partnership partly came to an end because he no longer needed to be part of a large agency in order to fulfil the marketing requirements of most clients. Instead he is able to manage his sole proprietorship from home, bringing in key services as required to fulfil client service requirements (interview HO1-31, 15-08-2007).

Three businesses noted that there had been a *change in the marketing and PR industries*. Whilst 23 others felt able to establish their own businesses because of their accumulated knowledge. There were 24 respondents from the in-depth interviews who specialised in specific industrial areas. Perhaps this is evidence of a wider more significant shift within the industries to greater specialism.

The tipping-point

Before exploring the interplay between critical incidents identified in the in-depth interviews through case studies, this section will discuss the tipping-points leading respondents to make a decision to become self-employed. The identification of the tipping-point is useful for understanding why an individual decides to become self-employed but the backdrop of other critical incidents should not be dismissed. The analysis of the in-depth interviews revealed that each respondent had experienced between two and eight critical incidents that impacted on their decision to establish a new enterprise (Table 5.4). Typically, most respondents experienced between three and five critical incidents.

Table 5.4 Number of critical incidents identified per entrepreneur

Number of critical incidents identified	Number of individuals
Two	5
Three	6
Four	8
Five	8
Six	4
Seven	1
Eight	1
Nine	1
Total	34

Source: In-depth interviews, Summer 2007

The interviews demonstrated that all respondents had experienced a tipping-point critical incident. This was the point at which a critical mass of reasons and factors had been reached, ensuring that the individual decided to form their own enterprise. Tipping-point critical incidents were mostly generated by changes an individual's employment situation (Table 5.5).

The overwhelming reason here was being made redundant (Table 5.5). This is surprising considering that previous studies have found that the threat of redundancy was the key reason for establishing a business (Bryson *et al.*, 1993a). Six of the ten respondents were made redundant, and three respondents were offered redundancy. Of the two respondents offered redundancy their respective employers were relocating and each was given the opportunity of moving with the company or taking redundancy. This is similar to previous findings by Wood *et al.* (1993). Each accepted redundancy, which became a tipping-point in their decision to become self-employed, but their decision was influenced by other critical incidents, such as a desire to remain in the region and the needs of their family, such as their

children's schooling. The last respondent was concerned about the threat of redundancy. This contrasts with earlier research where the threat of redundancy, rather than an actual redundancy, more commonly spurred moves to self-employment (Bryson *et al.*, 1997; Keeble and Bryson, 1996). Approximately 27 per cent of businesses were formed following actual or potential redundancy (Bryson *et al.*, 1997). The 10 respondents citing redundancy in some form account for approximately 29 per cent of tipping-point critical incidents.

Table 5.5 Tipping-points identified as decision-making moments

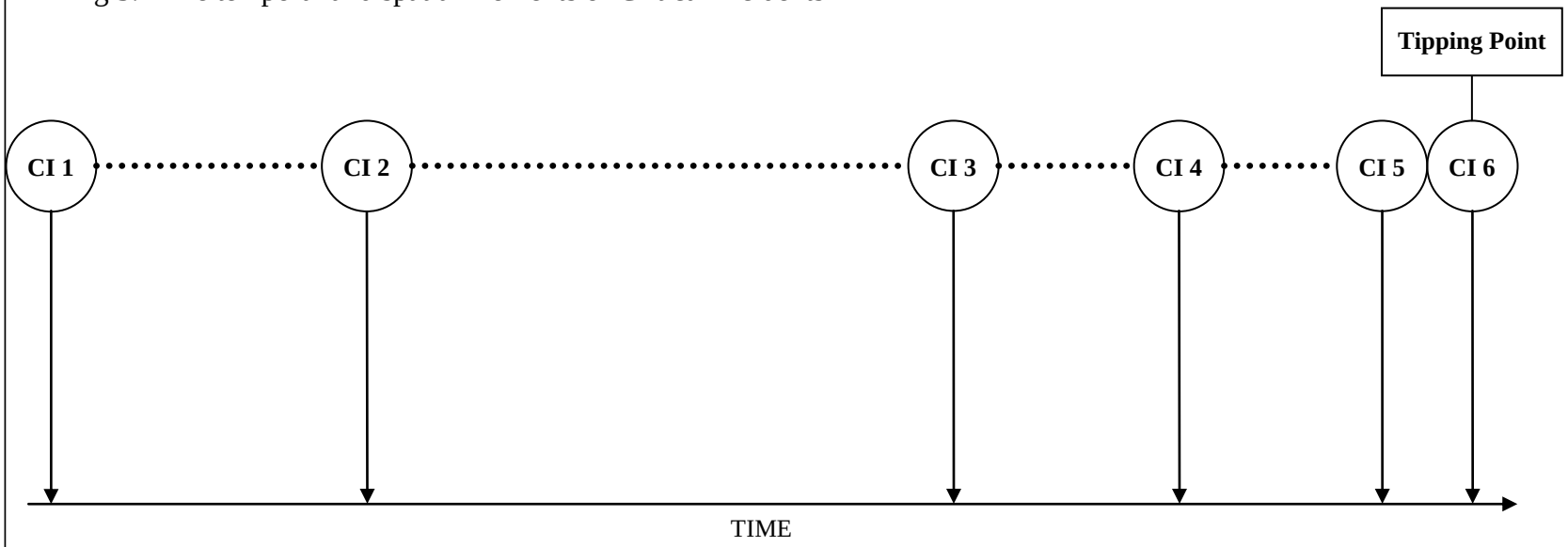
Origin of incident	Tipping-point	No.
Employer	Made redundant/offered redundancy	10
	Employer offers freelancer/consultant contract	3
	Previous partnership ended	2
	Personnel changes/company acquisition/re-organisation/branch closure/relocation / bankruptcy	1
	Unhappy or bored with employer/industry	1
Individual	Offers of work	7
	Desire self-employment and autonomy	2
	Already owned a company	1
	Age	1
	Make more money	1
Domestic Situation	Care for children and family	3
	Maternity leave	1
Industry Developments	Marketing and public relations industries changed	1
Total		34

Source: In-depth interviews, Summer 2007

A critical incident represents a temporal and spatial moment in the life of an individual (Fig 5.2). It does not always occur at regular intervals, and may be grouped or interspersed over varying periods of time (Fig 5.2). Critical incidents are linked because they operate in

unison and these links are crucial to the analysis, because they comprise the interplay between critical incidents. Thus, there are two fundamental aspects in the shift from employee status to self-employment status to be aware of: firstly, individuals do not make the decision due to one factor or critical incident but due to a number of factors; and secondly, these critical incidents do not work in isolation, but in conjunction with each other (Fig 5.2).

Fig 5.2 The temporal and spatial moments of Critical Incidents



Linkages/Interplay between Critical Incidents

CI 1 — Critical Incident One etc.

Tipping Point — Moment in time and space representing the point at which a critical mass is reached leading to a decision to become self-employed

The next section will discuss critical incidents and identify tipping-points in more detail using case studies from four respondents.

5.4.2 Critical incidents and tipping-points: four case studies

So far the reasons for business formation have been outlined and the key factors that have persuaded individuals to go it alone have also been discussed. Four case studies are now used to elaborate the processes behind decision-making and, more importantly, the way in which critical incidents interact to build a foundation for business formation (Table 5.6). The case studies have been chosen to offer a comparison between home-based and office-based businesses and business formation by gender. They also represent some of the abstract firms outlined in the segmented economy model. From the analysis it is possible to identify which type of small firm these entrepreneurs have sought to establish, including: leader firms, intermediate firms and laggard firms (Taylor and Thrift, 1982). They offer the potential to delve into individuals' circumstances and demonstrate the importance of viewing the critical incidents identified as interacting factors rather than examples of events working in isolation. The individuals with the greatest number of incidents have been chosen to demonstrate the complexity of the decision-making process and the interplay between critical incidents.

Table 5.6 Incidents in firm formation cited by case study respondents

Origin of incident	Incidents	Cases 1	2	3	4
Self	Accumulated Knowledge	1	1	1	
	Desire self-employment and autonomy	1	1		1
	Lifestyle: flexible hours/work from home/no commute	2 [1]		1	1
	Offers of work			1	
	Age	1			1
	Make more money		1		
Employer	Personnel changes/company acquisition/re-organisation/branch closure/relocation / bankruptcy	1	2		
	Redundancy/made unemployed	1	1		
	Employer offers freelancer/consultant contract	1		1	
	Unhappy or bored with employer/industry	1	1	1	1
Domestic	Care for children and family			1	
	Maternity leave			1	1
Industry	Identified niche		1		1
Total incidents		9	8	7	6

Notes: [1] A respondent may have more than one incident listed under a category because they have been amalgamated. For example a respondent may have quoted that they wanted to work from home because of fewer hours and no commute to work. 1 = interview HO1-8 20-07-07 2 = interview NH1-21 27-07-07 3 = interview HO3-12 26-06-07 4 = interview NH4-10 15-06-07

Source: Depth interviews, Summer 2007

Case studies

1) A home-based marketing agency: nine critical incidents including tipping-point, redundancy

This case study demonstrates that the decision to establish a business is the culmination of a range of temporally specific factors. In this instance there are nine such factors (Table 5.7) (see Appendix 4 case study 1 for a detailed chronological description of the interaction between these factors). Furthermore, the case study shows that events beyond the control of the potential entrepreneur may conspire to 'push' him or her into a decision-

making process which moves them from being an employee to self-employed. Hence, there is the notion of a tipping-point critical incident which becomes the agent of change.

Table 5.7 Incidents in firm formation cited by case study respondent (interview HO1-8 20-07-07)

Origin of incident	Incidents	No. of incidents	Specific details of respondent's reasons for entering self-employment
Self	Accumulated Knowledge	1	Knowledge accumulated from over 15 years of experience in corporate and company life.
	Desire self-employment and autonomy	1	A personal desire for self-autonomy and the ability to plan and forge his own destiny.
	Lifestyle: flexible hours/work from home/no commute	2 [1]	He wanted a different working lifestyle and one which would fit in with living closer to home, running a family and relieve some personal stress. Coupled with this a desire to reduce the amount of business travel it was necessary for him to undertaken and daily commute by working from home.
	Age	1	The respondent was in his 40's at the time of the decision.
Employer	Personnel changes/company acquisition/re-organisation/branch closure/relocation / bankruptcy	1	A recent merger and personnel changes within the employer's company brought to the fore feelings of 'corporate bewilderment' as he became disillusioned with endless rounds of corporate reorganisations of functions and personnel.
	Redundancy/made unemployed	1	The potential for redundancy money.
	Employer offers freelancer/consultant contract	1	The opportunity to move to being a consultant for the company for at least six months provided the time, with an income, to establish his business.
	Unhappy or bored with employer/industry	1	His corporate working life and present employer no longer provided the challenges and excitement previously relished.
Total incidents		9	

Notes: [1] A respondent may have more than one incident listed under a category because they have been amalgamated. For example a respondent may have quoted that they wanted to work from home because of fewer hours and no commute to work.
Source: Depth interviews, Summer 2007

Michael moved to the West Midlands, from London, to start a family but work commitments ensured that he was frequently travelling within Europe on business. He envisaged this lifestyle continuing until retirement and felt that other factors such as his family were increasingly more important than his job. The catalyst for change or tipping-point was, in this case, personnel changes at work coupled with the potential to become a consultant to his previous employer (Ekinsmyth, 1999). For six months Michael worked on a consultancy basis for his previous employer and following this would receive a redundancy package. This indicates the importance of time when establishing a business: it rarely happens overnight with the transition to self-employment taking place in stages.

The need to explore the entrepreneur in relation to their personal and wider environment has been argued before (Fletcher, 2006). However, this process has been taken further by first, examining how cited variables or critical incidents work together and second, the method in which the critical incidents create an overwhelming positive decision to establish a business. The culmination of this is the tipping-point critical incident whereby the aspiring entrepreneur take the steps to establishing business.

In this case study the tipping-point came in the form of potential redundancy. Unemployment and redundancies have frequently been cited as influencing the aspiring entrepreneurs' decision-making process (Bryson *et al.*, 1997; Ekinsmyth, 1999; Fritsch *et al.*, 2006; Storey, 1991). But this hides more complex processes that may be taking place within the firm. Younger employees without the experience of senior members of staff may hope to remain within the company but older and experienced employees, like Michael, view this as the opportunity they have been waiting for. Indeed, much emphasis has been placed on how

the entrepreneur discovers the niche which their business is established to exploit (Acs and Armington, 2004). By analysing the individual it has highlighted the need to understand how entrepreneurs identify a situation that will provide them with the ability to move from being employed to being self-employed. In this case, the employers' actions created a conduit through which the employee could pass from being an employee to self-employed. It is well known that the entrepreneur is likely to possess certain attributes but this research begins to reveal the need to explore the temporal and spatial moment during which the individual becomes an entrepreneur.

2) An office-based marketing agency: eight critical incidents including tipping-point, redundancy

The formation of Nicholas's agency was triggered by eight critical incidents (Table 5.8) (see Appendix 4 case study 2 for a detailed chronological description of the interaction between these factors). As for the previous case, this case study finds that the employer created the tipping-point which brought together all of the other critical incidents to lead to a decision to become self-employed. However, unlike the previous case study, the respondent had a real desire to eventually establish his own business. The upheaval created by his employer provided the moment when this could take place.

Table 5.8 Incidents in firm formation cited by case study respondent (interview NH1-21 27-07-07)

Origin of incidents	Incidents	No. of incidents	Specific details of respondent's reasons for entering self-employment
Self	Accumulated Knowledge	1	He had over 15 years of accumulated knowledge.
	Desire self-employment and autonomy	1	He wanted to be his own boss and control his future career.
	Make more money	1	There was a desire to make more money than he was earning at that time.
Employer	Personnel changes/company acquisition/re-organisation/branch closure/relocation / bankruptcy	2 [1]	His employer's company was taken over by another company and personnel changes at work
	Redundancy/made unemployed	1	There was an offer of redundancy following a merger and staff reorganisation.
	Unhappy or bored with employer/industry	1	He was increasingly bored with his employer not least he had identified a niche he could exploit within the industry.
Industry	Identified niche	1	Identified a niche market within marketing as a media planner where he believed he could provide better and more bespoke service compared to other firms.
Total incidents		8	

Notes: [1]A respondent may have more than one incident listed under a category because they have been amalgamated. For example a respondent may have quoted that they wanted to work from home because of fewer hours and no commute to work.
Source: Depth interviews, Summer 2007

It is important to appreciate that other factors are also important when examining the decision-making process of the entrepreneur. Studies have identified the many attributes of the entrepreneur, including: self-efficacy, a higher education as well as knowledge (Dollinger, 1995; Henley, 2005). This is frequently at the macro-scale and undertaking quantitative analysis. Examining individual experiences reveals how these attributes and other factors come together to facilitate a move into self-employment.

This respondent has established a firm with six employees. It was almost an assumption at the beginning that the firm was established with a business model where the firm was not a sole proprietorship but which would expand to employ more people. Indeed, this may be partly indicated from the identification of a niche rather than undertaking work similar to that undertaken whilst an employee. Furthermore, for this male entrepreneur the firm was established to fulfil his personal desires. Whilst providing for his family is important the establishment of the firm was not solely to fit in with domestic arrangements. This factor may further indicate whether a firm has a business plan which includes growth and expansion or whether it is to fulfil lifestyle choices.

The following two case studies will focus on PR agencies. The first suggests that for some entrepreneurs, providing for both family and domestic responsibilities is pivotal.

3) A home-based PR agency/consultant: seven critical incidents including tipping-point, care for children and family

Abigail established her business with a decision-making process that involved seven critical incidents (Table 5.9) that highlight the importance of time when exploring the move from employee to self-employment status (see Appendix 4 case study 3 for a detailed chronological description of the interaction between these factors). The establishment process is slightly different to the previous case studies because the move to self-employment was a staggered event, taking place over approximately two years, with clearly defined stages. As well as this the case study indicates that for some the move to self-employment is to facilitate domestic demands, in this instance looking after young children whilst still earning a wage.

Table 5.9 Incidents in firm formation cited by case study respondent (interview HO3-12 26-06-07)

Origin of incidents	Incidents	No. of incidents	Specific details of respondent's reasons for entering self-employment
Self	Accumulated Knowledge	1	Accumulated knowledge from over ten years based in newspaper journalism but skills transferable to PR
	Lifestyle: flexible hours/work from home/no commute	1	Lifestyle desires for example flexible hours.
	Offers of work	1	Previous offers of work from the director of a PR agency.
Employer	Employer offers freelancer/consultant contract	1	A move to a freelance/consultancy basis - hence her employer became her client.
	Unhappy or bored with employer/industry	1	A growing dislike of some of the demands of her job and in particular what she considered as immoral tasks to perform.
Domestic	Care for children and family	1	A need to be near children and look after family beyond financially.
	Maternity leave	1	Maternity leave with her first child and then second child.
Total incidents		7	

Notes: [1]A respondent may have more than one incident listed under a category because they have been amalgamated. For example a respondent may have quoted that they wanted to work from home because of fewer hours and no commute to work.
Source: Depth interviews, Summer 2007

Abigail used her maternity leave as an opportunity to establish her business, knowing that if she did not succeed she could return to her old job. The period of maternity was important because it allowed her time to think about establishing a business and gave her the opportunity to do it. Furthermore, she had arranged to work three days a week as a journalist with the remaining two days a week as a freelance PR consultant. This was initially facilitated by working for a PR agency because she knew the director. Thus, she could slowly build her own set of clients in the two days a week she had away from her employed position as well as convince herself that her journalistic skills could be transferred to that of a PR consultant. Feeling increasingly disenchanted by journalism by the time she had her next child two years

later she decided that after maternity leave she would concentrate solely on her freelance PR work and gave up being a newspaper journalist.

This case study demonstrates the thorough preparation by some entrepreneurs and that it can take is thorough and can take a few years. Furthermore, women can use their domestic setup to facilitate their move to self-employment in a way not possible for men. The tipping-point to full self-employment was the need to care for her two children and therefore needed to be able to work from home full time; it was almost impossible to 'have' to travel to a place of work. This case study demonstrates the temporality of critical incidents and of the eventual tipping-point. Time is an essential component in the route to self-employment and it must be taken into consideration to provide an accurate portrayal of the process. Indeed this begins to shed light on how individuals form and recognise potential business ventures (Fletcher, 2006; Henley, 2007).

4) An office-based PR agency: six critical incidents including tipping-point maternity leave

The final case study is an analysis of the formation of a PR agency by a partnership made up of two woman founders. Whilst, both partners were not interviewed it is still useful to appreciate the partner as a critical-incident in the decision-making process of the remaining partner. The decision-making process involved six critical incidents (see Appendix 4 case study 4 for a detailed chronological description of the interaction between these factors). The formation of the partnership represented part of the desire to be self-employed and to take a greater charge of her career path. Once again this study highlights the importance of maternity leave in providing a period of time, whilst paid, in order to plan and begin to establish a

business. Indeed, all of the case studies have demonstrated the importance of a period of guaranteed pay outside of employment as the initial pathway to self-employment.

Table 5.10 Incidents in firm formation cited by case study respondent (Interview NH4-10 15-06-07)

Origin of incidents	Incidents	No. of incidents	Specific details of respondent's reasons for entering self-employment
Self	Desire self-employment and autonomy	1	Whilst on maternity leave a friend finished their contract and was keen to form a partnership
	Lifestyle: flexible hours/work from home/no commute	1	There was a growing need to accommodate family life with working life in a more flexible way.
	Age	1	She was 40 years old and wanted a new challenge in her life.
Employer	Unhappy or bored with employer/industry	1	Bored with present employer because she had reached the position of managing director and the next move was to establish her own firm.
Domestic	Maternity leave	1	Went on maternity leave with second child.
Industry	Identified niche	1	The respondent and prospective partner identified a niche in the market to exploit.
Total incidents		6	

Notes: [1] A respondent may have more than one incident listed under a category because they have been amalgamated. For example a respondent may have quoted that they wanted to work from home because of fewer hours and no commute to work.
Source: Depth interviews, Summer 2007

The entrepreneur's transition from employee to self-employed status is aided by a period of financial security, and in this case maternity leave. However, the process of entrepreneurship will not occur without the desire of the individual including factors such as family commitments and personal motivation to be self-employed. Hence, caring for her family needed to be juggled with a desire to fulfil her own career ambitions.

In this case the tipping-point was maternity leave, despite being the first critical incident because it acted as the catalyst which brought the other critical incidents together. For example, she was able to think about where she was in life and where she wanted to go. Her soon to be business partner also became 'unemployed' at this time and they decided they could form a partnership. The partnership 'added weight' and impetus to the decision-making process and Rachel's ultimate desire for self-employment.

Summary of case studies

The decision to become an entrepreneur is the culmination of different factors all of which influence the decision-making process (Fletcher, 2006). Furthermore, these factors do not always work in isolation; they are frequently inter-linked and operate in unison. The critical incidents combine to produce an overwhelming force which leads the individual into making a decision to become self-employed. The catalyst is the tipping-point critical incident uniting all of the other critical incidents which alone would not encourage an individual to establishing a business. This is usually a major event in an individual's life and brings major disruption and destabilisation of the *status quo*. Thus, this analysis has found that the move towards self-employment is facilitated by a period of guaranteed income coupled with free time to establish a business e.g. redundancy or maternity leave. As well as this there are a set of personal factors which form the desire for self-employment e.g. lifestyle or personal career requirements.

These case studies have uncovered the movement of individuals from larger in-house and standalone agencies to small firms. The establishment of these firms, by individual

entrepreneurs represents the interface between the segments of firms that comprise the segmented economy (Taylor and Thrift, 1982). It is possible to identify the movement and future transition of firms between segments. For example, case study one represents a skilled worker who establishes a firm which begins as an intermediate subcontractor (undertaking consultancy work for his previous employer) but moves over time to becoming a laggard small firm (Taylor and Thrift, 1982). This is because the owner has no intention of expanding the firm and it is purposefully kept small. Case studies two and four can be identified as leader small firms, not least because they are partly founded on the basis of filling a niche not presently occupied within the market place. Furthermore they both go on to increase their turnovers and employ more staff. In the future they may be susceptible to takeover (a common feature of this segment) if their business model and market niche is robust. Lastly, case study three has the hallmarks of an intermediate satellite-subcontractor. The founder begins by undertaking freelance work for larger agencies, but within a few years has moved to being a loyal opposition as they develop a niche within the market and take on their own clients rather than freelancing for other agencies. Indeed these case studies demonstrate that movement can take place between small firms segments and this begins to uncover the "complex set of transition behaviours" taking place (Taylor and Thrift, 1983:455). By beginning to identify these firms as part of a segmented economy it is possible to uncover the intricate details of firms' relationships and the transition of firms over time.

5.5 Conclusion

This chapter has shown that upheaval in the life of an individual can lead to firm formation. Furthermore, this is frequently created by the nascent entrepreneurs' employer.

Whilst it is important to acknowledge that a weak industrial sector and too much entrepreneurship can in the long run have a negative effect (Belso Martinez, 2005; Brixy and Grotz, 2007), periods of flux and dynamism within a sector are necessary. These periods create a 'shake-up' and see individuals forced out or voluntarily leave whereupon some then establish their own firm.

By taking a sector based approach it has been possible to uncover the reasons for entrepreneurship among individuals working in marketing and PR industries. In particular the role of previous experience within the industries, not least in terms of the type of agencies individuals were employed in e.g. in-house or in an agency has been revealed. New evidence has been explored highlighting the role of the employer in inadvertently encouraging an employee to leave and establish their own business e.g. by creating upheaval within the employers firm. Whilst unemployment has previously been identified as a factor leading to acts of entrepreneurship (Fritsch *et al.*, 2006; Storey, 1991) the nuances of how and why this occurred have not tended to be revealed.

The case studies have shown that when analysing the decision-making process of the entrepreneur time must be considered in relation to: the desires of the individual, the role of the previous employer, developments within the industry and domestic factors. Other studies look at the time between the start-up phase and the death or life-cycle of the firm (Henley, 2007) or the likelihood of a firm employing more people over time (Van Stel and Storey, 2004). However, it is much harder to identify individuals and then monitor how long it is until they possibly establish a business; it can be argued that this can only effectively take place after the event. In doing so the analysis for this study has shown that issues such as

preparation for self-employment (Henley, 2007) and access to finance (Audretsch, 2002; Henley, 2005) are revealed by individuals and usually take place during a transition stage between leaving employment and commencement of self employment. The period over which this occurs is variable as the case studies have demonstrated. The evidence here suggests that a better understanding is gained if the period before establishment is examined, something which quantitative longitudinal studies cannot effectively do.

Thus this chapter has analysed the preparation stage of establishing a business or the transition from employee to self-employed individual: as the entrepreneur moves from the nascent stage to the start-up phase (Katz, 1990; Rotefoss and Kolvereid, 2005). State regulations in the form of employment laws have a direct impact on the ability of some individuals to enter self-employment (despite being an unintentional by-product). For example, this can be said of statutory redundancy packages and maternity leave. It is significant that government regulation, unintentionally, influences the process of new business formation. This highlights the need for further research and policy changes to encourage new business start-ups.

A sector based approach is necessary to uncover the role of an individual's knowledge and experience, as well as, developments within the industry in which entrepreneurs move from being an employee to self-employed (Braunerhjelm and Borgman, 2004; Fritsch, 2008). This analysis argues that the barriers to entry to setting up a service firm are high in terms of the knowledge and skills that an individual must accumulate and which are therefore inherent within them (Eckhardt and Shane, 2003; Fletcher, 2006). This cannot be underestimated

because beyond industry knowledge and skills, there are subsets of knowledge which include access to networks of contacts (Ekinsmyth, 2002; Fletcher, 2006; Grabher, 2001b; 2002b).

Decisions on the business model and subsequent long term development and possible expansion of the business are frequently determined whilst the establishment of a business is still at the conceptual stages. Businesses can therefore be categorised, and at this juncture three business types are tentatively proposed: first, 'stagnators', businesses remaining as sole proprietorships or small employers. The business ultimately dies when the owner retires from work; the business may have been established by an individual taking early retirement from an employer or leaving an unsuccessful partnership late in their career. Secondly, there are 'contractors': businesses that experience growth but then ultimately decline and reduce in size and possibly scope. Lastly, there are 'evolvers', and these are businesses that start with a business model encouraging growth and expansion, in terms of employees, turnover, and location of clients. It is necessary to outline these business types, evident in the case studies, because all are crucial in the examination of BPS enterprises.

An important element in the decision to establish a business was a desire for more flexible working conditions to enable respondents to work closer to home and manage their family commitments more effectively. The link between the business and employees and founders homes has been touched upon in previously in studies of BPS (Baines and Robson, 2001; Beyers and Lindahl, 1996; Ekinsmyth, 2002; Keeble and Nachum, 2002) but not thoroughly investigated and especially not within a sector based study on the marketing and PR industries. In view of this the next chapter focuses on the choice of premises and the role that this plays in permitting entrepreneurs to fulfil their desires regarding: work-life balance,

family commitments, reducing commuting times as well the long-term business model that the agencies are following.

CHAPTER SIX

HOME TO OFFICE AND OFFICE TO HOME: THE LOCATION DYNAMICS OF MARKETING AND PUBLIC RELATIONS AGENCIES

6.1 Introduction

This chapter explores the factors leading to the choice of premises and locations used by marketing and PR agencies in the West Midlands as part of firm formation and as a long term business model. The focus will not solely be on HBBs but also office-based businesses. The temporality and spatiality of HBBs will be examined in relation to firm formation and as part of the business models of firms. Thus, the role of HBBs as a stepping stone or transition stage for new firms and founders who move from being employed to self-employed will be explored. The locations and premises reflect an intricate set of linkages and relationships in the organisation and production of marketing and PR services. The analysis will uncover the complexity of the processes that occur as part of the evolution of businesses through the premises and locations they occupy.

The importance of the home to the entrepreneur cannot be disputed. Indeed, there is significant evidence that firm founders are most likely to establish a business near to their home (Cooper and Dunkelberg, 1987; Fritsch *et al.*, 2006; Sorenson and Audia, 2000). However, these literatures are based on studies of manufacturing firms, there is limited research into the impact of the home on the founders of BPS firms (Beyers and Lindahl, 1996; Ekinsmyth, 2002; Keeble and Nachum, 2002). There is a extensive research into HBBs in Australia but this does not discriminate between industrial sectors and does not explore the

evolution of businesses beyond the home setting (Jay, 2003; Peacock, 1994a; 1994b; Stanger, 2000a; Stanger and Woo, 2001).

The first section briefly overviews the literature on the role and characteristics of HBBs. The subsequent sections will undertake an examination of the factors influencing individuals' choice of premises from which to work, which will then provide the basis for a typology of businesses derived from this research. Each business type identified will be explored and the reasons for choosing the premises and the location will be analysed. The final section will provide a discussion of the factors raised and the implications of this for the present understanding of the role of HBBs in the life-cycle of firms.

6.2 Business formation and the factors influencing an individual's choice of premises

Some research into BPS and business formation has attempted to categorise businesses in a number of ways and has been cross-sectional rather than longitudinal. Research into self-employed media workers categorised businesses according to "how they worked with each other" and identified three types: the "lone self-employed" group, "small businesses" (which include the labour of more than one person) and "colleague employers" (a group of sole proprietors that work by forming temporary collaborations and linkages with others) (Baines, 2002). Studies of producer service providers in rural North America have categorised businesses by size (number of employees) and their propensity to export from their local area (Beyers and Lindahl, 1996). There has also been specific research into the role of geography. Businesses have been defined according to their performance in relation to businesses within the same industry, but in different parts of the UK (Hitchens *et al.*, 1996b).

It is widely recognised that the BPS sector comprises a few large firms and a plethora of SMEs and micro-businesses (Keeble *et al.*, 1991; Wood, 1990). Other research has grappled with the problem of how best to classify and define small businesses, using a range of criteria such as turnover, number of employees, and management techniques (Keeble et al., 1991).

The present research reveals that domestic space furnishes start-up businesses with key requirements, facilitating the production and formation of new businesses. The marketing and PR businesses have been categorised according to the type of premises chosen to establish the business. This has been developed using the in-depth interviews (Table 6.1).

Table 6.1 First relocation: by type of premises occupied

Types of premises	Initial Premises	1st Relocation
Premises		
Home	31 [1]	20
Office	9	18
Home/office	0	2
Total number of businesses moving	40	40

Note: [1] number of respondents citing reason; includes premises taken from the 1970s to 2007.
Source: In-depth interviews, summer 2007

Analysis of the in-depth interviews revealed that over 75 per cent of the businesses had been founded at a home. Furthermore, after the first relocation the number of businesses in an office location doubled. This demonstrates that the home can facilitate two business models: firstly, small businesses that wish to remain at home and secondly, firms that are likely to grow and expand and employ others are likely to commence trading from a domestic location. This is important because previous research into HBBs by Peacock (1994b) focussed on businesses located at home and did not undertake a sector based study; it found that some

businesses had ‘plans’ to “go on site” but at that point none had. Whilst there has been further research into HBBs this has mainly been descriptive and concentrated on profiling those establishing enterprises at home (Jay, 2003; Peacock, 1994b; Stanger, 2000a; 2000b), as well as the size and longevity of businesses. The home as the stepping stone for enterprises moving to an office and the inferences that can be taken from this are not explored. The movement between premises frequently coincides with the long-term growth models of firms and hence represent the interface between segments of business organisations (Taylor, 1984). Therefore the move from being home-based to office-based may suggest that a business is moving between segments but this cannot be assumed and other factors must be taken into consideration such as their clients, turnover and numbers of staff. Even so, the analysis of firm’s premises reveals four location models for firms.

6.2.1 Typology of businesses

Four business types have been identified and categorised according to the premises that they occupy:

- Home-based businesses which are established at home and have never relocated to an office or similar premises. These businesses have remained at the owner’s home and occupy space either within the home or its grounds. Spaces used range from a spare room (such as a back bedroom), to a converted garage or an extension to the main house.
- Home to office-based businesses which are established at home but have since relocated to an office or similar premises.

- Home to office to home-based businesses which were founded at home but have since relocated to an office or similar premises and then relocated back to being home-based. [26]
- Office-based businesses which are established in an office or similar premises and have remained there.

The analysis of the location dynamics of businesses will focus on each of these business types. The structure of the chapter will reflect this, with a section on each to facilitate a thorough appraisal of the reasons behind their location decisions. Exploration of the factors will be divided between the reasons for the choice of premises and geographic location. This will include uncovering the links between premises and location, the relative importance of both of these and the factors that drive choices behind them. It is useful to compare the reasons for being home-based or relocating to an office, thus providing an explanation for the changing requirements over time and what has led to these new needs.

6.3 Home-based businesses

The telephone survey revealed that over 50 per cent of the businesses are presently situated at home. It was anticipated that only a few businesses would be home-based and so this result was unexpected. The subsequent in-depth interviews revealed that over 75 per cent of the businesses involved were originally established at home. HBBs are sometimes considered to represent 'profit satisfiers' rather than 'profit maximisers' and could be considered to be 'lifestyle businesses' due to the lifestyle factors influencing their decision to

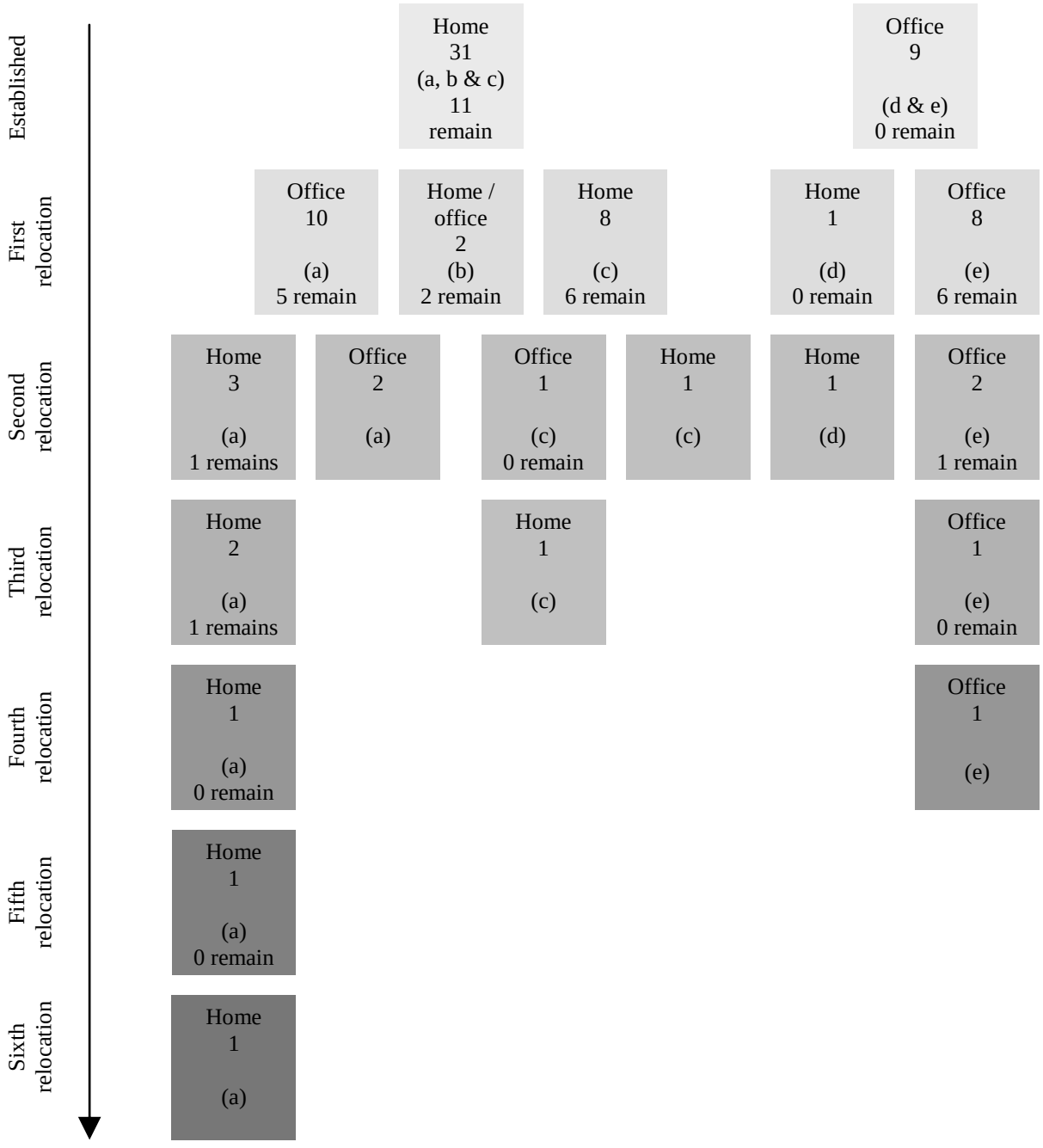
[26] Analysis of this category will include the businesses that started in an office but relocated back to a home-base (Fig 6.1). This is because the essence of this category is understanding why businesses decided to relocate back home whilst they were in an office.

be home-based (Good and Levy, 1992; Stanger, 2000b). Stranger and Woo (2001) argue that it should not be assumed that employees do not work full time. There is strong evidence to suggest that home-based workers do not work fewer hours or work to a lower standard than their office-based counterparts (Good and Levy, 1992; Jay, 2003). However, in terms of firm growth and dynamism they may represent 'satisfied laggards' in that the firm is kept purposefully small, is unlikely to outlive the founder and is in stark contrast to the "systematic and bureaucratic managerial atmosphere" of their last employer (Taylor and Thrift, 1983:452). The present study's findings support the theory that businesses were founded to support a lifestyle but not necessarily a lifestyle which reduced the working hours or commitment of founders.

Over 50 per cent of the businesses were established at a residential address and have remained there; furthermore just over half of these have remained at the same start-up address (Fig 6.1). All these businesses were established between 1985 and 2002. The period that a business is home-based, before moving to office-based, was a mean of 2.6 years or a median of two years. The maximum time a business was home-based before moving to an office was six years. Therefore, it is unlikely that any of these home-based businesses will relocate to an office because at the time of the survey the most recently established business was in 2002 and all are over six years old. Home-based businesses may still expand, as demonstrated by the reasons businesses remain at home (Table 6.2). Time is important in the analysis of businesses because factoring it in permits firms to be understood temporally and in context rather than statically (Taylor, 2006). Studies exploring the temporality of firms are usually undertaken using longitudinal studies (Braunerhjelm and Borgman, 2004; Henley, 2007) but this does not recall some of nuances of the movement of firms over time. Studies have

previously discussed home-workers and HBBs but developments over time tend to be overlooked, if an understanding of the role of HBBs is to be achieved then it is necessary to chart the time firms are located at places. Studies of HBBs have noted the time that businesses have been home-based but they do not monitor firms as they move premises and potentially move to being non home-based (Good and Levy, 1992; Jay, 2003; Peacock, 1994b; Stanger and Woo, 2001).

Fig 6.1 Premises used by marketing and public relations agencies over time



(a), (b) & (c) and (d) & (e) represent the premises used by businesses after establishing; they are either home-based or office-based respectively. Each location box contains the number of businesses reaching that 'relocation' (at the top) and the number that 'remain' (at the bottom) and do not relocate again.

Source: In-depth interviews, summer 2007

Home-based businesses can be grouped into those businesses that grow and employ more workers and those that remain as sole proprietorships. The telephone survey revealed that 21 home-based businesses were sole proprietorships, whilst 24 were employers. [27] The in-depth respondents included 18 solely home-based businesses (Fig 6.1); by the time of this survey nine were sole proprietors and eight employers. [28] Employees include employed and contracted fee-earning members of staff and maybe also support staff. [29] These solely home-based businesses (Fig 6.1) have between one and four staff in total, with a mean of 1.6, an increase from 1.5 five years previously and increasing to 1.7, five years later. [30] Small firms are likely to engage in some form of subcontracting. Clients may consist of other agencies in which case they will undertake back office production functions (Ekinsmyth, 2002; Leslie, 1997). However, they cannot be dismissed, because they often provide niche services and work together to fulfil larger contracts (Grabher, 1993; 2001b). This study has identified a mix of these firms across the sub-regional study area (Map 3.1 and 3.2). Some of the HBBs are heavily embedded into local systems of production (Lawton Smith *et al.*, 2005; Madill *et al.*, 2004) often because they themselves are spin-offs from larger firms in the region (Sorenson and Audia, 2000).

The potential for home-based businesses to expand in terms of staff, and in turn turnover, highlights the dynamism of these enterprises. This is further emphasised by businesses that have moved to new premises but continue within the domestic setting. Thus,

[27] Out of 46 home-based businesses identified in the telephone survey 1 business did not provide details on staffing levels.
[28] Out of the 18 businesses that were solely home-based, 17 provided adequate information on staffing levels.
[29] Respondents were asked if staff were contracted or freelance: contracted staff include permanent employees or those on a time-limited contract. Freelancers are hired on an ad hoc basis and are on a temporary contract or purchase order. Assumptions cannot be made regarding place of work, though it is more likely that a contracted or permanent member of staff is based in the business's premises.
[30] Out of the 18 businesses that were solely home-based during the history of the business, 17 provided adequate data to calculate the mean figures.

for these businesses their location is determined by factors which include family and personal requirements as well as the commercial needs of the businesses (Fig 6.1). The analysis will now turn to the reasons influencing business premises followed by location.

Table 6.2 Factors influencing choice of home as business premises

	Number of locations		
Factors influencing decision	**Initial Premises**	**1st**	**2nd**
Premises			
Having the space	17 [1]	5	
Cost effective	14	4	1
Clients do not mind home-based businesses	10	4	1
Work in clients offices	7		
Work flexibility	6		
Ability to expand at home sites	3	1	
Left previous partnership	2		
ICTs	1	3	
Domestic move		3	
Space expansion		2	
Location			
Travel within the West Midlands	14	3	1
Near or at family home	11	3	1
Travel beyond West Midlands	9	5	1
Near previous employer	3		
Total number of businesses moving	18	7	1

Note: [1] number of respondents citing reason includes premises taken from the 1970s to 2007.
Source: In-depth interviews, summer 2007

6.3.1 Choosing home for a business's premises

Businesses are mostly likely to start trading from home because of the availability of space combined with the reduced start-up costs that it provides (Table 6.2).

Having the space

Some individuals have continued to be home-based, despite employing additional staff, because they have had available space at home. Three businesses were able to expand at their original home site and a fourth at a second address. The fourth respondent did not have to lease purpose built office space and noted:

> "I'm very fortunate I had space at the front of my property and I built a studio on the front of the property. Having looked around for rented accommodation it was far too expensive for what I needed and (so) I had it built on" (interview HO3-27 03-07-07).

Variations on this scenario are expressed by other respondents, who, fully aware of the impact more overheads would have on their profitability and competitiveness, take advantage of their existing assets. The use of the home in this way acts as an alternative source of finance as the founders are making use of their own assets rather than placing further burden on the turnover of a fledgling firm. Financing a new venture is a key challenge for entrepreneurs (Audretsch, 2002). Henley (2005) cites housing as potential collateral and the evidence here suggests that individuals establishing BPS firms frequently use the building in this way. Other research has noted that a business's advantage over London-based organisations was partly facilitated through cost savings (labour and premises) borne from being located in Birmingham (Bryson and Daniels, 2007). Bryson and Daniels' (2007) research did not identify home-based businesses but it can be assumed that if commercial premises are cheaper then locating at home will represent further reductions in overheads and make enterprises more price competitive.

Another respondent discussed the stage at which a decision had to be made about whether to rent offices or continue at home. Whilst the respondent was keen to move to a conventional office space, the advantages were carefully considered alongside the disadvantages:

> "The business was expanding, and physically we'd outgrown the space I had in the house. We'd got a lot of work at the time, we were employing, … three of us working full time. (My husband) was involved and freelancers … (We) decided, well no actually if you moved to rented premises … all the reasons for being home-based, for working for yourself and being home-based, once you've moved onto the next level, you go into premises, that's all out the window. So we decided no, we've got this double garage which we've converted (and it) easily accommodates three people and could probably squeeze more in, so we'd do that" (interview HO3-11 30-07-07).

The respondent was keen to expand and consolidate the business and additional commissions encouraged the respondent to re-evaluate the reasons why the business was initially located at home. They had to decide whether to continue being home-based. The change they felt would be significant in terms of the extra financial commitment would mean the founder would have to continue to maintain that level of turnover. It is clear that the founder was at the interface between two business models. The physical move would have meant moving from being a laggard small firm to becoming an intermediate small firm and loyal opposition (Taylor and Thrift, 1982; 1983). Indeed, whilst remaining a laggard the business has subsequently contracted, shed staff and remained home-based.

Both respondents had suitable space at home for physical expansion. It demonstrates that whilst the business was growing, the individuals were still keen to maintain the lifestyles they set out to create when they originally founded their businesses.

Start-up costs

As well as the availability of space, cost was another key reason why individuals established home-based businesses. HBBs generally have low overhead start-up costs (Jay, 2003; Peacock, 1994a) This factor has been cited in most of the existing literature on home-based businesses (Good and Levy, 1992; Jay, 2003; Peacock, 1994a). Respondents often mention these two factors in conjunction. A sole proprietor noted:

> "The … reason I'm at home is mainly financial … I've got the space … there's no point really in spending a fortune on rent which is … the biggest outgoings … for most companies" (interview HO1-15 08-10-07).

Home-based businesses are often considered to be lifestyle businesses, but this respondent emphasises the importance of the home for the start-up business. If the space is available, it is sound economic and business judgement that persuades the founder to choose being home-based rather than office-based. Therefore, it is important to appreciate that for many new firms the HBB is a transition stage.

Even as businesses grow and become more established, owners are often still wary of incurring more costs and increasing their overheads. One respondent was clear about the desire to minimise costs and take advantage of unused rooms at home. Here the respondent discusses the alterations at the top of her three-floor town house:

> "The office used to be on the ground floor and that was really bad, it was the first thing I saw when I walked in and it drove me nuts in the end. Hence my daughter moved out and is now living in Warwick, so that freed up the top floor … I've knocked two bedrooms into one and then (my daughter's)

> bedroom as well so I've got two girls, two of us in each of the now large bedrooms at the top of the house and that's much better because if I don't want to do work, I just don't go up to the top of the house" (interview HO3-14 17-07-07).

This extract also highlights some of the stresses that accompany work at a home-based business, compounded when staff are included, but the overriding priority for this respondent was to keep overheads to a minimum. Therefore, compromises are made and accepted.

The role of clients

Clients have played an important role in facilitating home-based businesses both by accepting them as a business model and sometimes providing them with space to work (Table 6.2). Clients are increasingly mentioned as not minding that their suppliers or contractors are based at home. Some businesses consider it to be an advantage because they believe that their clients consider that they are not being charged exorbitant fees to fund lavish or expensive office space.

It was rare that respondents spoke candidly about their clients' opinions of their premises. Unless clients are unaware of their location it can be inferred that it is not an issue. However, one respondent noted:

> "They know I work from home … if they wanted something bigger they could go to a bigger agency but they would be paying considerably more, I don't work on the clock … I work on a project basis" (interview HO1-31 15-08-07).

This respondent notes that clients are aware that he works at home and in doing so are aware they are buying a particular type of service, which is cheaper and free from the pricing systems of larger businesses. This is evident when dealing with clients as opposed to agencies who subcontract work to individuals.

Another reason for clients not minding where their marketing and PR agency is located is because of the practicalities of meetings. One respondent had considered taking offices but decided against it:

> "When I set up, I set up from the end of the dining room table … (and thought) if I'm not making money in two years time, it was a good experiment, but it's failed now, I need to go and get a proper job … So I didn't want to sort of incur the cost of an office or move house to get a separate room or anything, but after two years it was doing fine so then we decided to move house for a number of reasons, one of which, was so that I could have a separate sizable room that was my office and I could … leave at the end of the day. We have … looked at sub-letting an office to take clients to and we've always come to the same conclusion, that actually clients don't come to us we go to them, and if they do come to us then we go and rent a hotel or a meeting room or something" (interview HO1-8 20-07-07).

Indeed, individuals constantly discussed visiting clients at their sites, or arranging meetings at a hotel with business facilities *en route* to another engagement or equidistant between the client's and the business's premises. One respondent noted that their working week was varied and they could be at a number of different places during the course of it:

> "By the nature of our work this is but a base and I and my colleagues are just as likely on any given day of the week, to be working in or around the country on our clients' behalf: visiting or attending meetings or events or gathering information from other locations. It's not somewhere (home) I am for five days a week, … I might be here at my desk for two days a week some weeks,

> one day a week another week and not at all another week and then a block of five days" (interview HO1-29 10-07-07).

There is a differentiation of space here, as certain places are used for particular activities. Indeed, while some companies have introduced hot-desking (Baldry, 1999) there is also evidence for the use of teleworkers both employed and self-employed (Stanworth, 1998) as well as the use of external home-based consultants as another facet of a spatially fragmented workforce. Home is the focus for desk work, and the production of services, whilst meetings are held at a range of locations. For some the car also has a role, as a place where phone calls can be made and even some meetings conducted during a long car journey. Again, this makes working at home easier from the agency's perspective, as they do not need to worry about 'entertaining' clients at their premises.

Issues surround the definition of home-based businesses, which may be formed on the basis of hours spent at home or at a client's premises. For example the Australian Bureau of Statistics defines home-based businesses according to two principles: firstly, where most of the business's work is undertaken at the owner's residence (e.g. home-based BPS such as accounting); secondly, enterprises operated from home but where the majority of work is performed outside of it (e.g. self-employed tradesman such as a plumber) (Jay, 2003; Jay and Schaper, 2003; Stanger, 2000b). However, even this categorisation is fallible and could lead to incorrect generalisations.

Lifestyle influences

Individuals who are nearing retirement or who have come from a previous partnership that was dissolved also have a tendency to establish home-based businesses. One respondent has remained a sole proprietor and not required extra space but keeping costs low was the key priority. As well as this the respondent is a carer for their disabled spouse and has to carry out a number of duties for them on a daily basis (interview HO1-3 28-09-07). Being home-based means this respondent can fulfil other domestic and family obligations without compromising the importance of "lifestyle entrepreneurship and life quality for families" (Marcketti *et al.*, 2006:257).

Family commitments are a consideration. One female respondent started a home-based business so that she could simultaneously care for her children and supplement her husband's income. She started in the dining room and subsequently built an extension on the house as she went from being part-time to fully employed in her business (interview HO2-2 04-07-07). Working at home allowed this respondent to vary the hours she worked and while still allowing her to strengthen her family financially (Marcketti *et al.*, 2006). Indeed these are not uncommon reasons for establishing home-based businesses, and have been cited in previous research into Australian home-based businesses (Stanger, 2000b; Stanger *et al.*, 2001). Indeed, previous studies of media workers in the UK have highlighted the disproportionate number of home-based female freelance media workers (Baines, 1999; 2002; Baines and Robson, 2001).

Another respondent has never been married but has had two long term relationships whilst running the business. These have faltered, probably because "both partners … felt that they were second to my business" (interview HO1-23 02-07-07). In 2006, the business had a turnover of £50,000. Despite this they would perhaps categorise themselves as a lifestyle business and a profit satisfier rather than a maximiser. The respondent is aware of the opportunity costs of being self-employed compared to being employed. Despite this, employment, without the stress of commuting and work which is enjoyable whilst maintaining a specific lifestyle is more attractive.

Research in the early 1990s argued that home-based businesses are started by individuals who are frequently nearing retirement and earning enough to satisfy needs or women working to supplement a husband's income (Good and Levy, 1992; Stanger *et al.*, 2001). As well as this both men and women are working full time from home. They have encouraged changes in the perception of home-based businesses amongst clients, and have established a competitive edge, achieved, because they do not have to pay for office space, therefore reducing the business's overheads (Stanger et al., 2001). There are some studies which have emphasised the importance of lifestyle entrepreneurship for families and communities (Cornwall, 1998; Marcketti *et al.*, 2006).

6.3.2 Location considerations

Asking respondents why they chose to be based at home is relatively easy, but analysing the business's location is difficult because individuals establishing a business frequently have to accept the present home location. In practice, when asked about the

location of the business, individuals reply: ‘because I’m here!’ The present location of the home was usually suitable, whilst the ability to travel within and beyond the West Midlands was a factor required when previously commuting to work.

The importance of geography was revealed when respondents discussed the influence of distance on client relationships. A respondent based in the suburbs of Redditch noted:

> “Our largest clients (are) based in [Hampshire] and [Worcestershire] and if they ask for a face-to-face then we wouldn’t hesitate in doing a face-to-face. … We actively try to … encourage face-to-face so we can maintain the relationship. Whereas with small clients we would … do this over the phone because clearly it’s … the hearty question … of geography… geography has never stopped us winning or looking for business” (interview HO1-8 20-07-07).

Thus, the location of the client is largely dependent on the size of the contract. Furthermore, because clients rarely visit HBBs it is important to be located near to good transportation hubs for key meetings in hotel business centres whilst remaining interaction is undertaken using ICT (Ekinsmyth, 1999; 2002). Thus, ICT appears to loosen the ties and bonds that would traditionally locate these suppliers near to their clients (Beyers, 2003; Beyers and Lindahl, 1996).

Some service providers may want to meet with their clients regularly, but their clients may not want to meet with them. Other respondents noted that they did not need to meet with clients on a regular basis. If a project was properly managed the majority of interactions could be undertaken via the telephone and ICT. Hence, ICT is a means to an end for these firms

(Taylor and Murphy, 2004). For example one respondent indicated that most of their clients were outside the West Midlands:

> "If the (project) is set up right in the first instance, when you have your first major meeting you get over an awful lot of the hurdles and things then. And it means that routine conversations which can happen by telephone, by email on an almost daily basis will cover 99 per cent of the questions" (interview HO3-11 30-07-07).

Despite being home-based and a small operation, the respondent's business was able to effectively service clients beyond the region. This was aided by their location adjacent to the M40 and by their ability to manage the relationship so as to lessen the effect of distance between them.

Planning is one of the most important aspects of a successful business-client relationship, affecting subsequent interaction during the course of a project or working experience. Poor planning at the beginning of a project can be expensive and lead to the loss of a client if more costly face-to-face meetings are required. Face-to-face meetings can be rationed to key moments in the lifespan of a project; in between times telephone and email can fulfil intermediate communication requirements.

From these descriptions of client relationships, proximity to clients is less important for day-to-day activities because of the immediacy and convenience offered by ICT. Certain stages in projects may require an agency and a client to meet physically. Effective management can reduce the impact and friction of distance on these relationships and help to sustain long distance associations. If geographical proximity to clients is less significant, then

this raises the question of what does influence a business's location. It appears to be dictated by the way businesses function as well as access to local labour markets especially if they are endowed with industry workers (Krugman, 1991; Sorenson and Audia, 2000). This was a consideration frequently mentioned by larger businesses. The following section explores those businesses that have taken the step from being home-based to office-based and the reasons determining this.

6.4 Transition from a home-based to an office-based business

The movement from being home-based to office-based represents a key moment in the life-cycle of a firm. It represents a clear intention to expand in terms of employees and turnover. In doing so they are almost inevitably moving from being small firm 'laggards' to small firm 'intermediate' providers. Indeed, some may even be labelled as 'loyal opposition' (Taylor and Thrift, 1982). Furthermore, the long-term survival rate of such firms is much stronger with growth. Also this growth indicates a vibrant industry in this sub-regional area. The establishment, and then growth, of firms suggests a self-replicating sector which is continually evolving and growing organically. Studies of manufacturing firms have highlighted the importance of this type of industrial concentration and growth for the longevity of the sector (Fritsch, 2008; Krugman, 1991; Wagner, 1994).

Home-based businesses represent a 'seedbed' from which some of the larger marketing and PR agencies have the potential to evolve (Jay and Schaper, 2003). Success of some businesses counters the argument that home-based businesses are fringe concerns, peripheral to the main industry in which they operate, and the wider economy (Jay and

Schaper, 2003; Stanger and Woo, 2001). Although the turnover of some home-based businesses may be less than office-based businesses (chapter 4), some grow and remain at home, whilst others relocate to offices. Therefore there is a degree of temporality for some HBBs with a low turnover. Businesses deciding to move from home to office did so for three main reasons: firstly, because they had entered into a partnership; secondly, because it became difficult or impossible to work from home; and thirdly, they had recruited additional employees. There is a range of additional factors which also influence the decision to move into offices, including image. Businesses are, on average, based at home for less than three years before moving to an office, although one business was operated from home for one week before a decision was taken that it was not feasible for this arrangement to continue. This was the only business that changed its location from home to office within a year of forming.

6.4.1 Choosing premises

Home-based businesses moving to offices did so for very similar reasons. Movement from home to office is a process similar to that of individuals deciding to form businesses. A group of factors come together which led one respondent to make a choice: either to remain at home or move into offices (Table 6.3). For the majority of businesses the key reasons for moving were to provide themselves with a more professional image and to expand (Table 6.3).

Table 6.3 Factors influencing choice of office after home

Factors influencing decision	Number of businesses citing factor
Premises	
Professional image	7
Space expansion	6
Amenities and facilities	5
Difficult to work at home	3
More staff	3
Cost effective	2
Formed a partnership	1
Parking	1
Purchase of offices as part of pension scheme	1
Location	
Near or at family home	4
Travel beyond West Midlands	4
Similar businesses in area	4
Travel within the West Midlands	3
Easily accessible and attractive to staff	1
Home town	1
Total number of businesses	9

Note: [1] number of respondents citing impact; includes premises taken from the 1970s to 2007. The total also includes the results for the respondent who works partly from home and an office.
Source: In-depth interviews, Summer 2007

Expansion, amenities, and presenting a professional image

The use of purpose built offices provided businesses with the ability to fulfil a number of requirements as they developed their businesses. Businesses reach a point at which they have to decide whether they augment the business, accept more commissions and employ staff, form a partnership with a similar business (for example two sole proprietors working together), or continue as they are. For those that want to expand they may have to lease or buy offices unless they have surplus space at home.

The following example analyses the points at which a marketing agency decided to relocate from home to an office and then into a third office. This firm can be considered as a small firm 'loyal opposition' which is keen to provide improved existing products rather than be innovative *per se* whilst the firm has a business model structured around growth and formal organisation (Taylor and Thrift, 1982). The relocation happened following entry into a partnership, the taking on of additional employees and the winning of a large contract:

> "It gave us credibility (because) it was with a major company and we were competing against two other large businesses… We took people … on a freelance basis; so come and work for a couple of weeks, or do a day a week for a month or something like that. … We managed it that way … then … we took people on full time … and I got thrown out of the front room at home because it was just covered with my papers and I took a small office" (interview NH1-1 19-07-07).

Following an initial start-up period the respondent was keen to take the next step and expand the business. The firm has been in Kenilworth, Warwickshire, since its inception and the new offices are situated away from the town centre in a large converted Victorian villa in a leafy suburb. This, the premises, demonstrates the local as well as national outlook of the agency, which the respondent felt demanded more professional offices.

> "This is a different image and we came here with a specific objective to attract more local business and give confidence to our existing clients. There were a number of projects … that we were interviewed for where people came to us at the last place, and we didn't get it and I think part of it was because we were sitting above a toilet basically. It was difficult to get good quality staff because the surroundings weren't brilliant … we made a number of job offers to people who turned us down because they didn't like the environment. So this is a much better environment, it's a more stable environment and it's the perception that … if someone comes … it looks solid" (interview NH1-1 19-07-07).

By 2006 this business had grown to employ five members of staff with a turnover of £500,000 in 2006. Attracting and retaining staff is essential for a business in an industry which provides services and products based on knowledge and expertise. New premises permitted the now more established business to meet a new set of requirements. Not least was the need to acquire more professional office space, befitting an agency with aspirations that stretch beyond the region and include larger clients.

Many businesses remain small because barriers to entry are low and as staff build upon their knowledge, leave and establish new businesses (Keeble *et al.*, 1991). Image is crucial in a business's ability to attract and retain staff: it must convey confidence and stability to employees, ensuring they feel secure when they decide to join a business, and include an element of prestige.

Partnerships

Entering a partnership can act as a catalyst to the decision-making process and the realisation of a long term ambition. One business showed how a partnership can quickly realise long-term growth aspirations and see the firm move from being laggards to intermediate small firms in a relatively short period of time (Taylor and Thrift, 1982). The business moved from being a small partnership located in a garage to having four employees and an annual turnover of £250,000.

One business that has functioned as a partnership was keen to take on staff and grow the business. They started at the respondent's parents' home, above a garage in Edgbaston,

Birmingham. Though intending to increase business from the beginning, they were very conscious of the negative impact of image on their perceived professionalism. Thus, because of their, long-term aspirations and goals for the business their first premises were considered to be detrimental to client relationships:

> "They never came to see us; we did not want them to see us in a little room above a garage at all! It would not have given the right impression, and especially as we're a PR consultancy; image is very very important" (interview NH4-10 13-06-07).

Interestingly it was because of this policy that the business lost one client contract. After insisting that they be allowed to visit their premises, and the business strongly resisting this, the client was unwilling to proceed with the relationship further. Despite this most clients appreciated they were a start-up business, and did not insist on visiting their premises.

The partnership searched for new office premises they could purchase within 12 months of establishing the business they would then form part of their pension scheme. They ended up moving from Birmingham to beyond the M42, to the hamlet of Tutnall (near Bromsgrove), into newly-refurbished offices that had belonged to a local factory (Map 3.2). This office is about two miles from Junction 1 of the M42 as well as being close to the respondents' home.

A transition period: using home and office and the difficulties experienced when working at home

Some of the complexity of the organisation and spatial distribution of marketing and PR agencies in the sub-region is highlighted by two marketing and PR consultants who rent office space from a larger agency (see Appendix 5 case study 1 for a detailed chronological discussion). Two home-based businesses have leased desk space in shared premises from another agency which employed three individuals in Birmingham's Jewellery Quarter. They represent a subset in the study because they work both from home and from an office. This is a reflection of the need to work with others as well as some of the psychological difficulties that manifest themselves when working solely from home, such as self-discipline and loneliness.

This is a form of hot-desking (Baldry, 1999; McGuirk and O'Neill, 2002) and suggests that there may be a growing need for temporary and universal office space which HBBs can make use of. Also the flexibility enables businesses within a region to mix and work together and helps to maintain inter-firm relationships and potentially firms embeddedness within the regional marketing and PR industries (Ekinsmyth, 2002; Grabher, 1993; 2001a; Leslie, 1997; Lundin and Soderholm, 1995).

Both sole proprietors are marketers and consider themselves part of the tight-knit PR community that exists within the West Midlands. These marketers represent laggard small firms because neither of them are planning to expand the business beyond themselves (Taylor and Thrift, 1982; 1983). It would be natural for these consultants to be purely home-based but

they found it difficult to work purely from home. These case studies indicate that surviving without the interaction of the office milieu can be psychologically difficult. These consultants reached a personal compromise, whereby they are able to split their time between working at home, the desk space in central Birmingham and working at clients.

This section has demonstrated that a home-based business can provide the foundation for a business to grow significantly into a large agency employing more staff. Indeed, home-based businesses can be considered as incubators, which may encourage the development of small agencies into powerful businesses, providing employment for others.

6.4.2 Office location

Most of the respondents have only moved once (from home to office), but two respondents have moved twice, and each move has facilitated new requirements as their businesses have become established.

The first respondent moved from a HBB in Birmingham to an office located in a rural area near Evesham (interview NH4-18 01-10-07) (see Appendix 5 case study 2 for a detailed discussion). The premises are located near to the founder's home (Cooper and Dunkelberg, 1987; Fritsch *et al.*, 2006; Sorenson and Audia, 2000) and they were chosen because they are in an aesthetically pleasing area which is coupled with broadband which is crucial for this firm which specialises in online marketing. Furthermore, despite the rural location the business is located near to both key road and railway transport links to the rest of the West Midlands and beyond.

Even so the respondent did highlight the problem of attracting staff to this location. This indicates that firms are cautious about relocating to rural areas because of the recognition that key staff need to be retained and so must be able to travel to work with ease. Even so it is clear that ICT has released the firm from a purely urban location, not least because there is broadband coverage in the rural location (AWM, 2006; Southern and Tilley, 2000). However, the ties are just loosened because the founder still has to be wary of attracting and retaining staff.

The second respondent based their business in Digbeth, Birmingham, and suggested a different set of reasons, with travel for all staff and proximity to similar businesses being paramount:

> "It was cheap … the office itself is in a creative centre, or a creative building that is full of creative organisations and organisations that offer services being parallel to us so … there is a lot of potential for us to actually grow our business, working with people within this building. We work as well, so from an environmental point of view it made sense, from a location point of view it makes sense … it's within striking distance of the city centre … it's within practical travelling distance for most people … in the area" (interview NH1-21 27-09-07).

For this firm cost was the factor that brought the business to the facility, though, once there, the potential benefits outweighed any disadvantages. This respondent seemed to weight potential business and access to work by staff as more important than location near to his own home (though this was only a 25-minute car journey away (interview NH1-21 27-09-07). The desire for similar type firms to cluster has been previously documented.

It is clear from this respondent that there is a wish to embed themselves within the local marketing and PR community creating linkages which may provide them with access to new clients or suppliers (Araujo *et al.*, 2003; Oinas, 2006). Hence, the respondents is keen to forge 'structural embeddedness' with the marketing and PR industries in the region and close by (Taylor and Leonard, 2002). This urge to cluster with similar firms is a natural tendency for most small businesses and indicates strong local ties and inter-firm embeddedness especially with local suppliers (Keeble and Nachum, 2002; Search and Taylor, 2002). Both of these small firm represent 'leader' firms because they have started trading following the founders identification of a niche in the marketing and PR industries (Taylor and Thrift, 1983). The firms are both keen to expand and grow. Their niche area may mean they are subject to a merger or buyout proposal in the future or will struggle if they cannot acquire the finance they need to properly expand (Taylor and Thrift, 1983).

Choice of location for businesses seems to be heavily skewed towards ease of access to premises. Home-based businesses are by nature small or micro-businesses with the owner living *in situ* (Stanger, 2000b). Larger office-based businesses have more employees to consider as well as a desire to embed themselves into inter-firm relationships based on both suppliers and potential clients (Keeble and Nachum, 2002; Search and Taylor, 2002). This is an issue which will come to the fore again when businesses that have only ever been office-based are analysed. The following section will explore businesses that have moved from being home-based to office-based but which have subsequently decided to reverse the decision.

6.5 Home-based to office-based to home-based businesses

This section covers two types of firms: first, are businesses that want to remain small sole proprietorships (or micro-firms) and which may work for end-user clients or undertake subcontracted freelance work. Some of them are home-based, are similar to the freelance media workers found in other studies and frequently women (Baines, 1999; 2002) but within this study a number of single men living and working from home. They represent laggards as they have no real growth aspiration beyond maintaining a living wage and ensuring the business is kept small and within the family (Taylor and Thrift, 1983). Second are businesses that have moved into offices but realised that they can work as successfully being office-based as home-based. This latter group is very different to the first and offers some insight into the new geographies of production and organisation that the home gives marketing and PR agencies. They represent small firm intermediate loyal opposition (Taylor and Thrift, 1983).

The home represents an important start-up phase and also long term business model for some firms. However, a small number of respondents reported returning to a home-based operation, following a period spent in an office (Fig 6.1). Most businesses that will be discussed in this section initially started at home before moving to an office. Two exceptions include a sole proprietor who moved to a second home after relocating to Leeds as part of a 'life-change', and a business that started in an office before relocating to a home setting (Fig 6.1 and Table 6.4). Essentially, both businesses moved to a home-base after being office-based.

There are four processes taking place that are evident in this group of businesses (Table 6.4). Firstly, there is a realisation by individuals and businesses that they do not need to be office-based in order to effectively produce and deliver services. Secondly, most clients are not prejudiced against businesses that are home-based. Thirdly, some individuals expand and subsequently decide to contract their business for reasons that include a move towards a business model based on that of a 'freelance consultant'. This is similar to the Lone Eagles and High Fliers phenomenon evident in sole proprietorships in rural America (Beyers and Lindahl, 1996). Lastly, there are a range of family issues such as, an individual's desire to reside near to their 'home-town', whilst others want to combine work with family commitments (Beyers and Lindahl, 1996; Sorenson and Audia, 2000).

Businesses were drawn to home for reasons including low costs and available space, and locations were due to proximity to previous employer and the ease of travel within the West Midlands. The rationale for moving into an office was similar for all businesses in this group: they required extra space, a professional image and more staff (Table 6.4). Reasons for establishing the business at home and subsequently moving to office spaces are similar for other businesses following this pattern.

Table 6.4 Factors influencing change of premises

Factors influencing decision	Number of locations [1] Initial premises – 2nd Home	Initial premises – 2nd – 3rd Office	1st - 7th Home
Premises			
Cost effective	4 [2]	1	4
Space at home	3		2
Clients don't mind	1		5
Space expansion		2	1
Professional image		3	
Amenities and facilities		1	2
Home-based perceived detrimental to client relationships		1	
More staff		1	
Lonely working at home		1	
Work in clients offices			2
Sold half of business			1
ICT			4
Assumed office required		1	
Location			
Near previous employer	2		
Travel beyond West Midlands	1	2	6
Travel within West Midlands	1	2	4
Kept clients when moved	1		3
Domestic move	1		1
Near or at family home			5
Near to principle client			4
Hometown/origins			4
Closer to London			1
Similar businesses in area		1	
Total number of businesses moving	5 [3]	5	13

Note: [1] businesses occupied either one or two homes before moving into an office and one business started in an office and then moved to being home-based. Premises where the business was established (initial premises) and subsequent premises (1st, 2nd etc.) have been amalgamated to present the three key stages. [2] Number of respondents citing impact; includes premises taken from the 1970s to 2007. [3] Results have been cumulated for the total five businesses represented; thus if a business occupied one or two premises before moving to an office reasons cited have been combined.

Source: In-depth interviews, summer 2007

6.5.1 Choosing premises

Developments in business's knowledge and understanding of the industry in which they operate are revealed when they return to being home-based after being office-based (Table 6.4). In this section the focus will be on businesses whose choice of premises plays a key role in their ability to function and provide services.

Professional image, amenities and facilities

Offices were often acquired because businesses presumed they were needed to present a professional image along with providing appropriate amenities and facilities (Table 6.4). Businesses which were located at home frequently found that clients were not concerned that their supplier was home-based; furthermore, many respondents found themselves working at their clients' sites. Clients rarely, if ever, visited them, and the cost savings associated with being at home can ensure the businesses are economically viable.

A home-based marketing consultant discussed the point at which the business was relocated from a rented office to their home:

> "I started up at home because it was free, (and) then moved out to offices for two or three years because I thought I should, complete waste of time, nobody ever came there. I always went to see clients before, I went to see clients when I had offices … I then found … that my daughters had left home … I am the only person now in the house and I decided no longer to spend money on external offices it's a complete waste of time … and also in that time many, many more people were working from home" (interview HO1-24 10-08-07).

The respondent also had a concern that working from home was detrimental to the relationship with his wife. Despite this his marriage ultimately failed. The respondent decided that it was a waste of money to run an office when his house was standing empty during the day. Traditional ideas assume the separation of domestic and work spaces, but evidence here suggests this is increasingly under attack. Some service-providers are able to effectively operate from home, and are willing to, when confronted with cost savings and personal convenience, despite some disadvantages.

Businesses working in offices also note that they regularly visit clients, but they have staff to accommodate and so locate within easy access of transport routes. Sole proprietors or micro-businesses, employing one or two members of staff, can take advantage of the cost savings from operating at home and visiting clients.

Growth and expansion: staffing and overheads

Respondents discussed the desire to enlarge their companies and others have wanted to maintain the *status quo*, whilst a few have expanded and subsequently contracted. Cost is a critical factor in the choice of premises by businesses, and owners, acutely aware of this, make decisions accordingly (Table 6.4). Home-based businesses may find that some clients provide facilities and premises they can use during the course of a project.

One firm was started at home and subsequently relocated to an office but after a period in these rented premises it returned to being home-based (interview HO4-25 26-06-07) (see Appendix 5 case study 3 for a detailed discussion). The firm is now located in the

basement of a large town house in Leamington Spa. Significantly the firm employs seven people. Leamington Spa is part of a clustering of marketing and PR activities and so the firm is near similar firms for key networking activities (Oinas, 2006; Search and Taylor, 2002; Taylor and Leonard, 2002) but importantly is still home-based and able to take advantage of the cost savings and lifestyle benefits this offers (Marcketti *et al.*, 2006). Key to this was acquiring a home base large enough to accommodate all of the staff but the key point is that service industries, because they are trading in knowledge and skills imbued in the individual do not require large amounts of space for machinery as a manufacturing firm would. Hence, this type of service firm can naturally be located in founder's homes in the long term.

Loneliness and isolation

Home-based workers can be prone to feelings of isolation and loneliness. Those affected in this study have developed coping strategies such as the creation of networks of similar workers and renting desk space from larger agencies. Research into freelance media workers by Baines (1999) and Baines and Wheelock (1998) identified individuals working from home, and found that on the whole they did not experience isolation. This was because they adopted measures such as interacting with their immediate family, networks of former colleagues, hired staff, as well as with their own clients. Other research into self-employed media workers reported that a third of all interviewees discussed "insecurity, isolation and a precarious foothold in the workplace" (Baines and Robson, 2001).

Within this study there were two such individuals: one of whom moved to a small office in Solihull mainly so that they were able to interact with other people. Following marriage the respondent relocated the business to the home:

> "(I) started up working from home in my flat in Solihull … I moved up to Leeds … because I was in a rut … I just wanted a change of scene …. So initially my clients would have followed me up because it's mainly done by telephone … there wasn't email then so a lot of it, a lot of fax and phones …then I moved back to Solihull and I had an office … (so that I was) with other people while I got my business established again … because you're very socially isolated if you're a writer working from home, you could go for weeks and not see anybody" (interview HO2-28 09-07-07).

This freelance worker mainly works as a copywriter. Her clients are a mix of end users but also other agencies. Thus, this business is similar to the freelance media workers found in the studies by Baines (2002) in the north-west of England and the freelance magazine writers working in the London region identified by Ekinsmyth (1999; 2002).

6.5.2 Choosing locations

The majority of businesses remained in the West Midlands; few gave reasons other than that they wanted to work near to home or their 'hometown', a factor common to most HBBs and firm founders (Beyers and Lindahl, 1996; Fritsch *et al.*, 2006; Sorenson and Audia, 2000). This finding is similar to those found by Keeble and Nachum (2002) that firms decentralised and not clustered were so that firms were near to founders homes. Beyers and Lindahl (1996) made similar findings and studies of manufacturing firms it is well documented that they are frequently founded near to the owners home (Fritsch *et al.*, 2006). When probed further, ease of transportation and communication links were mentioned.

Indeed, the location of all businesses correlates strongly with motorway junctions, and railway stations.

One respondent (interview HO2-5 17-07-07) founded his business in 1977 at home and quickly moved to an office (see Appendix 5 case study 4 for a detailed discussion). He subsequently sold the business in the early 1980s and moved to a flexible business location model. Working as a marketing consultant he moved to the location of his largest client where he often worked for them on site. These were usually long-term projects and so he has moved within the UK and abroad to fulfil contracts. Some of the other businesses discussed working for clients beyond the UK, but this respondent was the only sole proprietor who appeared to 'migrate', albeit for short periods, to different countries in order to work. He has relocated back to the West Midlands to be closer to his family and place of origin nearing retirement other Beyers and Nelso (2000) found the migration of retirees and Lone Eagles to rural locations.

There is growing evidence of this form of migration within Europe, and in particular of highly skilled workers within the European Union, but here is evidence of short term migration by skilled Western European professionals beyond the continent (Salt, 1998). This form of HBB does not tend to be mentioned in the literature. On one hand they are keen to remain small and work for themselves, so would be viewed as a laggard in a segmented economy model, however they are generally localised firms (Beyers and Lindahl, 1996). ICT has enabled this consultant to maintain contact and service smaller contacts whilst continuing to relocate for his largest clients.

This section is characterised by firms that have moved to an office location and realised that it was not necessary to follow the business models they planned. This includes both remaining as a small home-based sole proprietor and other businesses which have a desire to expand and employ more staff. It has revealed some dynamic business models which have not tended to be realised elsewhere, such as the consultant who migrated to be near to his largest client. Hence, the complexity of the organisation and production of services within marketing and PR is increasingly apparent.

6.6 Office-based businesses

So far the focus has been on the businesses that have at some time been home-based. Even so, there are businesses that commenced trading in an office and have subsequently remained office-based (Fig 6.1). Office-based businesses, as expected, have considerably more employees than HBBs; the mean is nine employees (a median figure of nine), an increase from 8.7 five years ago (a median of five). All expect large growth rates, with a mean increase of 100 per cent in five years time (a median growth to eleven employees).

A range of factors led businesses to choose purpose-built office space in which to commence trading (Table 6.5). A strong correlation exists between businesses established as a partnership and the formation of an office-based business. Six of the eight businesses starting up in offices did so as part of a partnership. Only one business mentioned this as a reason for selecting premises. If the analysis is broadened, two other partnerships that started whilst businesses were home-based subsequently left to move into office-based premises. Respondents do not cite this as a reason for moving or starting a business in an office, perhaps

because it seems 'obvious'. There is a shared burden of responsibility between the partners for the costs of starting and running the business, unlike a sole proprietor.

Table 6.5 Factors influencing the decision by businesses to establish in an office

	Number of locations [1]				
Factors influencing decision	**Initial premises**	**1st**	**2nd**	**3rd**	**4th**
Premises					
Amenities and facilities	5 [2]	2	2	1	
Cheaper/shorter rents	3				
Cost effective	3	1	1		
Parking		3			
Professional image	1	7	2	1	
Investor provided premises	1				
Own another business and premises	1				
Work in clients offices	1				
Retained offices following management buyout	1				
Space expansion		6	1		
Not ostentatious		1			
More staff		1			
Difficult to work at home		1			
Purchase of offices as part of pension scheme			1	1	1
ICTs					1
Location					
Travel within the West Midlands	6	7			
Travel beyond West Midlands	6	7		1	1
Near or at family home	2	4			1
Easily accessible and attractive to staff		4	1	1	1
Similar businesses in area	1	4	1	1	
Near first or biggest client	1				
Number of businesses moving	8	8	2	1	1

Note: [1] businesses occupied up to four homes. Premises where the business was established (initial premises) and subsequent premises (1st, 2nd etc.) show up to five stages. [2] Number of respondents citing reason; includes premises taken from the 1970s to 2007.
Source: In-depth interviews, summer 2007

6.6.1 Choosing premises and locations

Businesses moving directly into an office cited a different set of factors when choosing their premises. Amongst these is the greater importance of location, which may change with a business's longevity. It is clear that as businesses grow and consolidate they are able to move to premises that fulfil more of their operational and perceived requirements (Table 6.5).

Premises are chosen first for the amenities and facilities and, second for the cost of the rent and length of lease (Fig 6.5). [31] For one business located in central Worcester:

> "(This is) about the third place we've been … in the town centre of Worcester and we like to be central because you know it is good for facilities and you can eat out, and if clients come it's easy for them to pop into the town and we get sandwiches and all that kind of stuff. It's fairly basic stuff, and although we could operate from home, … it would save us lots of money … but we feel that it doesn't sort of portray the sort of professional image that we think that it should have" (interview NH1-6 23-07-07).

Here the linkage between the selection of a location and premises is inextricable. As businesses become established and are able to move, other factors are able to be considered when choosing new premises. Businesses are more likely to cite 'professional image' as being important: for example this firm occupies a site close to Worcester Cathedral. Along with premises, businesses discuss the need for good physical communications within and beyond the West Midlands. Worcester for example sits beside the M5 and has two mainline railway stations (Map 3.2).

[31] A couple of businesses discussed choosing premises on a short rent or lease in a partnership so that if something went wrong they could quickly dissolve the business and partnership.

Another business has occupied premises at four locations in central Birmingham before moving to its present site in Leamington Spa (interview NH1-17 08-08-07) (see Appendix 5 case study 5 for a detailed discussion). The firm was originally located to be near suppliers which needed to be in close proximity. With the development of ICT (and in particular Apple Macs) and broadband the firm is less place bound and its previous geographical ties have been loosened (Castells, 2000; Ekinsmyth, 2002). Furthermore, the production and delivery of services is now entirely undertaken electronically. This emphasises the need to appreciate ICT adoption rates by sector and firm (Haugh and Robson, 2005; Martin and Matlay, 2001).

Any moves were closely tied with the need to ensure key staff were not lost (map 3.2). The firm eventually moved to Leamington Spa and all skilled essential staff was retained (interview NH1-17 08-08-07). Proximity to clients was not a factor and although not essential it was considered beneficial to be near to similar businesses this was fulfilled when moving to Leamington Spa which has a recognised cluster of marketing, PR and advertising agencies (map 3.2). Thus, key to subsequent firm locations was proximity to creative labour pools (Krugman, 1991; Sorenson and Audia, 2000). This business has a turnover of over £1 million and within the marketing and PR industry can be considered to be a large firm but they are not multidivisional and so remains in the small firm segment and as an intermediate small firm (Taylor and Thrift, 1983).

So far, the discussion and analysis has centred on businesses moving into offices following the formation of partnerships. These can take on different forms: the first example is a partnership between business acquaintances and the second, a married couple. One PR

business was founded with investment and premises provided by an advertising company in St Paul's Square, Birmingham (interview NH1-16 16-08-07) (see Appendix 5 case study 6 for a detailed discussion). The firm stayed in the Jewellery Quarter area of Birmingham until forced to move. By that time the agency had grown and any new location had to be aesthetically pleasing, be large enough to accommodate the expanding business, but most importantly ensure that all staff could still commute to the new premises. The retention of staff was considered key to the relocation of the firm. This was successfully achieved and the firm moved across the city to the Five Ways area in Edgbaston (map 3.2).

Once again staff retention was paramount and although not a factor the firm had moved to an area of the city with a recognised cluster of marketing and PR agencies (Krugman, 1991; Sorenson and Audia, 2000; Wagner, 1994). Furthermore, the firm was founded in area which is also a recognised cluster of creative industries. The importance of a strong existing industry for supporting new firm formation in a variety of means such as informal networks and financial assistance cannot be underestimated (Audretsch and Keilbach, 2004). As well as highlighting the importance of economic environmental and regional characteristics (Rotefoss and Kolvereid, 2005).

The move to purpose built offices appears to be fuelled by businesses, such as a partnership, that start with more than one employee. For those not starting as partnerships they may have some other kind of support such as from an investor. Whilst office-based and HBBs appear quite different, the parallels are perhaps much greater. Offices are chosen because of their ease of access for staff and their professional image and attractiveness. Classical theories of business location and agglomerations note the importance of access to

transportation being more significant than availability of labour (Sassen, 2001b). It would appear that for service industries the accessibility of premises for labour and the subsequent ability of firms to retain labour are paramount.

Evidence from this study of marketing and PR businesses suggests that good transport links, accessibility for staff, proximity to the owner's home and similar businesses being in the area are important locational decision-making factors. Proximity to clients was not mentioned despite 47 per cent of home-based and 59 per cent of office-based businesses' clients being based in the West Midlands. A study of a cluster of London business services and decentralised firms in Southern England found that the proximity to clients was most important for the clustered businesses whilst a proximity to the founder's home was most important for the latter group in Southern England (Keeble and Nachum, 2002). The research presented here has elements of both the decentralised and clustered businesses. Home sites are chosen primarily because of cost. It may be assumed that as a domestic space they are relatively attractive, and ease of access by staff is not an issue to the sole proprietor, as they are already there.

6.7 Conclusion

In summary the evidence presented here suggests that the home is important in the process of firm formation (Good and Levy, 1992; Peacock, 1994b; Stanger *et al.*, 2001). If a business is not started at home, then it is likely that the premises will be located near to the founder's home (Fritsch *et al.*, 2006). Most studies have analysed firm formation in manufacturing (Fritsch *et al.*, 2006; Sorenson and Audia, 2000; Wagner, 1994), there is little

that has been undertaken within the studies of BPS and in particular at the level of the individual (Beyers and Lindahl, 1996). The present study suggests that the home is a key location for the founding and also as a long term business model for marketing and PR industries.

There are similar issues that manufacturing and marketing and PR entrepreneurs must consider including: finance, premises and location. Unlike most previous studies the analysis here has focussed on the size, location and factors leading to the establishment of an HBB (Stanger and Woo, 2001). However, the low barriers of entry into BPS in terms of investment into production facilities means that the key obstacle is knowledge and reputation and these are already imbued within the marketing and PR entrepreneurs. Beyond this there are relatively few barriers to entry. Hence, it is unsurprising that many individuals decide to locate their business at home. Modern communications have moderated the need for face-to-face contact, especially with outside suppliers.

There is a clear split between small HBBs, administered by a sole proprietor who can function effectively from domestic premises despite being decentralised from similar businesses and larger office-based firms. The nature of the sub-regional area means that most of the homes are near to key transport networks and also have broadband internet which has near universal coverage in the region (AWM, 2006). Thus, in an industry with high ICT adoption rates access to broadband internet should not hinder firm formation (Haugh and Robson, 2005; Martin and Matlay, 2001; Southern and Tilley, 2000). Conversely, whilst the cluster of marketing and PR activities in Birmingham and Solihull cannot be overlooked businesses have a much greater locational flexibility. This is highlighted by the number of

businesses in Warwickshire and Worcestershire which includes country towns and small villages (map 3.2). This concentration along with the small size of firms indicates high-rates of firm formation rates (Acs and Storey, 2004; Braunerhjelm and Borgman, 2004). Office-based businesses generally gravitate towards urban areas whereas home-based businesses can almost be founded anywhere.

The spatial distribution and frequency of home-based and office-based businesses in the sub-region as well as the responses from the surveyed firms suggests that there is a tight-knit marketing and PR community within the region. The lack of clustering by some firms as well as the importance of travelling within the West Midlands for all firms indicates that the need for geographic proximity has been loosened and diminished. This is particularly evident when noting the number of HBBs that remain in a domestic setting as well as those businesses that move to an office but then return to functioning at home. Businesses that commence trading in an office or move to an office after being founded at home generally have a different business model. It is important not to generalise at this point. There are examples of office-based sole proprietors as well as HBBs employing six or seven workers. Even so, businesses moving to an office are usually keen to grow and expand with a desire to employ more individuals and increase their turnover. They require suitably sized premises which are easily accessible to staff. As one case study indicated, firms can locate to rural offices and for the founder this is considered beneficial, however, as an employer this is problematic as staff do not always share these values. Thus, as larger agencies have sought to leave central Birmingham this has been undertaken on the proviso that they do not lose key staff.

Whilst generalisations are made with caution, the move between premises sometimes coincides with a transition between segments of the economy (Taylor and Thrift, 1982). Indeed, HBBs frequently correspond with laggard small firms whilst most office-based have the characteristics of intermediate small firms though there are some leader small firms represented as well (Taylor and Thrift, 1982). There were at least two multiplant large firms: one was national and one was international. This indicates that the marketing and PR industries in the West Midlands and in particular this sub-region includes a broad range of firms. The analysis of the locations and premises of these businesses has benefitted from a sector based study (Fritsch, 2008). Furthermore the temporality and spatiality of firms has been tackled because respondents were asked to discuss the movement of the firm over time (Taylor, 2006). This has provided depth to the analysis and a holistic understanding of the processes that are taking place. The nuances of the HBB sector has been revealed along with the processes taking place uncovering the dynamism so that although they may commence trading from a home site frequently they move to being office-based

Some studies have suggested that business owners want to augment their enterprise in the future but follow-up studies have not been undertaken to demonstrate this (Peacock, 1994a; 1994b). There is some evidence of spin-off firms and larger agencies working as incubators to professionals who will one day start their own enterprises (Bryson *et al.*, 1993b; Bryson *et al.*, 1997; Wood *et al.*, 1993). This chapter has undertaken a more holistic appreciation of the dynamism of an industrial sector by analysing the evolution of businesses within one sector. By investigating the previous locations and premises of more established firms it is possible to draw stronger conclusions on the future development and evolution of

new enterprises. The locations and premises of businesses suggest that HBBs frequently represent the employers of the future and are an integral part of the life-cycle of firms.

Modern communications facilitate ICT dependent industries such as marketing and PR to operate from non-standard spaces and places permitting small firms to compete effectively without the economies of scale that larger companies have (Belso Martinez, 2005). ICT is loosening the geographic ties of some small firms (Castells, 2000; Ekinsmyth, 2002) but as firms grow and employ more people they need to locate near to recognised labour pools and ensure that all staff can commute to work with ease (Krugman, 1991; Sorenson and Audia, 2000; Tamasy and Le Heron, 2008). The inter-firm linkages and the degree of embeddedness between firms are suggested because of the need to locate near to similar firms and the desire for ease of movement around the region and through the wish to be located near to similar type businesses (Keeble and Nachum, 2002; Oinas, 2006). ICT was also mentioned in relation to facilitating firms' embeddedness and this theme will now be examined in the following chapter which is concerned with the production and delivery of services by marketing and PR agencies located in the region.

CHAPTER SEVEN

THE IMPACT OF INFORMATION AND COMMUNCATION TECHNOLOGIES ON THE PRODUCTION AND DELIVERY OF MARKETING AND PUBLIC RELATIONS SERVICES

7.1 Introduction

This chapter questions whether ICT has altered working practices and led to new ways in which geography is implicated in the co-production of business and professional services and in particular for small firms (Taylor and Murphy, 2004). The chapter moves from focussing solely on adoption rates of ICT to the impact that it has on the organisation and production of services (Ramsey *et al.*, 2005; Ramsey and McCole, 2005). On the one hand, the adoption of ICT could imply that geography no longer matters; or, it has effectively removed the constraints on business transactions that were associated with distance (Castells, 2000; Friedman, 2006). On the other hand, place-based differences are still extremely important and all that developments in ICT have done is enabled businesses to capitalise on the benefits that come from being located in a particular place (Audretsch and Dohse, 2007; Graham, 2000; Malecki and Gorman, 2001).

The role of ICT in the production and delivery of services by marketing and PR agencies is also examined. Particular attention is placed on the extent of the adoption of advanced communications within firms and the impact this is having on the organisation of firms and their relationships with clients including the delivery of services (Martin and Matlay, 2001; Taylor and Murphy, 2004). Focussing on the location of firms has provided

some insight into the organisation of production. There has been some research on the impact of ICT into production processes but less so into working and delivering services to clients (Britton *et al.*, 2004; Panteli and Dawson, 2001; Stanworth, 1998; Sullivan, 2003). The subsequent analysis will examine this in relation to the role of ICT and investigate trade in marketing and PR services which has received little attention (Beyers, 2003; Beyers and Lindahl, 1996).

The relationships between individuals and organisations in the production of services are complex. As part of this it explores how agencies position themselves within service production networks at a range of spatial scales and with clients which include small businesses and national and international companies. This will reveal some of the issues and working methods experienced by micro-agencies providing marketing and PR services.

The second part of the chapter examines the role of ICT in interregional and international trade and its impact on agency-client transactions. This is an important issue. Conventionally it was generally assumed that services were produced and consumed locally and that trade was relatively unimportant or at least only of marginal importance (Sassen, 2001b). Beyers and Lindahl (1996) and Bryson *et al* (1993b; 1997) challenged this assumption by empirically identifying the importance of interregional, and more recently international, service trade.

7.2 Regional, interregional and international clients

Issues concerning the co-location of providers and consumers of BPS have played an important role in the literature on BPS firms, but very little of this literature has yet to explore in any detail the role ICT plays in this relationship (Hitchens *et al.*, 1996a; 1996b). One of the few exceptions is Daniels and Bryson (2005) who argue that ICT can enable a business to diversify its client base. Emphasis has been placed on researching overseas clients and trying to determine to what extent BPS are able export their services beyond the confines of their home location (Coffey, 2000; Damesick, 1986; Moyart, 2005). A study by O'Farrell and Wood (1998:124) emphasised the importance of the "socially based interpretation of business behaviour" for international and interregional trade in services. Nevertheless, the role of ICT in enabling interregional and international transactions has been largely overlooked, though there are some exceptions (Ramsey *et al.*, 2005; Ramsey and McCole, 2005). ICT is an important agent for facilitating the production and delivery of services (Taylor and Murphy, 2004). Thus, service quality and specialist expertise are key factors in the supply of BPS, but the harnessing of expertise can be facilitated by ICT.

While the evidence from this study indicates that some marketing and PR agencies do export beyond the UK, we need to know more about the consumers purchasing these services. There is evidence to suggest that some of the work that smaller agencies undertake for larger agencies is conducted for national and international clients, whilst other agencies work directly for clients that are national and international but are still based locally. This in turn will provide additional insights into the degree of embeddedness of agencies and firms at both an interregional and international scale (Grabher, 1993; O'Farrell and Wood, 1998; Taylor and

Leonard, 2002). In both instances, although technically local, these agencies are undertaking work for end-users that are located beyond their home region (O'Farrell and Wood, 1998). Analysing these linkages is necessary to gain a full appreciation of the complexity of networks in which service providers operate (Araujo *et al.*, 2003; Dicken and Thrift, 1992). Indeed, exploring the networks in which these agencies function reveals the range of spatial scales they engage with in the process of conducting their work (Oinas, 2006).

Existing studies have explored some dimensions of the networks that facilitate the production and consumption of BPS expertise. The tendency for clients to be located at a relatively short distance has been identified in a number of studies (Keeble and Nachum, 2002; Ramsey *et al.*, 2005) but research has also highlighted the importance of clients located beyond the immediate locality of the BPS firm providing the service (Daniels and Bryson, 2005; Illeris, 1994; Martinez-Arguelles and Rubiera-Morollon, 2006). For example, a study of BPS providers in the West Midlands by Daniels and Bryson (2002b) found that whilst a third of clients were within ten miles of their BPS suppliers, approximately a quarter of clients were located in the rest of the UK, including London and the South East. They found that the Computers, Marketing and Design sectors generated the largest proportion of their turnover from clients located beyond the West Midlands (Daniels and Bryson, 2002b). The present research finds that for marketing and PR agencies the majority of clients appear to be located beyond the West Midlands (Table 7.1). Providing services at a distance is extremely important for these firms. This raises some interesting questions, not least, of how these firms are managing to provide their services at a distance and whether ICT facilitates the delivery of services at a distance by marketing and PR firms.

Table 7.1 Percentage of turnover, by region: marketing and public relations industries in the West Midlands

Region	%
West Midlands	49.0
London & South East	18.6
Rest of UK	28.9
Outside the UK	3.5

Source: Telephone survey, January 2007

The telephone survey indicated that marketing and PR agencies in the region are successfully managing clients based at a range of spatial scales (Table 7.1). These findings are in line with previous research into BPS firms located in the region (Daniels and Bryson, 2002b), as well as studies conducted into BPS in other regions (Beyers and Lindahl, 1996; Hitchens *et al.*, 1996b). The ability of firms to use ICT to enable and support the management of agency-client relationships, however, needs to be explored. The next section will outline the key findings and the implications of these for the marketing and PR agencies surveyed in this research regarding the role of ICT in their production and delivery. After this, a framework will be presented which will combine an analysis of the role of ICT with an examination of agencies in relation to their need to overcome distance to provide services to clients.

7.3 New production techniques and the effect of information and communication technologies on the ability of marketing and public relations agencies to provide services to their clients

Limited research has been undertaken into the role that ICT fulfils in the delivery of BPS services. Indeed, the lack of research has led to pleas for more studies which focus on

some or all of these issues (Beyers, 2003). Despite this, ICT is now as ubiquitous as the telephone for the daily functioning of most office environments, indeed some researchers suggest it is now just a means to an end (Taylor and Murphy, 2004). Research in the early to mid 1990s studied office activities during a period of transition and businesses were categorised on the level of ICT usage and the extent to which it was embedded in their daily procedures (Beyers and Lindahl, 1996; Hitchens *et al.*, 1996b).

Some studies have drawn attention to the impact of ICT in terms of adoption rates within businesses and in particular SMEs (Haugh and Robson, 2005; Martin and Matlay, 2001; Taylor and Murphy, 2004). The literature highlights the need for research which takes into account differences in adoption and usages of ICT by industry sector and firm sizes along with management attitudes (Grimes, 2003; Haugh and Robson, 2005; Martin and Matlay, 2001; Ramsey *et al.*, 2005; Ramsey and McCole, 2005). Furthermore, technology costs have decreased in real terms and become more accessible to businesses of all sizes. This is coupled with developments in the provision and availability of broadband high-speed Internet *via* fiber-optic cabling, not least within the West Midlands where they have aimed to provide universal broadband coverage (AWM, 2006).

7.3.1 Changes affecting the production of services

From the in-depth interviews with respondents it is clear that as a sector the marketing and PR industries are “high small firm users of ICT” (Southern and Tilley, 2000) (Table 7.2). Indeed, according to the DTIs own ladder of ICT adoption, which is comprised of five stages, most agencies in this study could be classified as operating at level three or even level four.

This suggests they have integrated supply and delivery of services online (Martin and Matlay, 2001). However, the ladder assumes linear adoption when in reality some firms have introduced ICT but not in the order assumed in the ladder model (Martin and Matlay, 2001). Various facets of ICT have clearly exercised a significant impact on business behaviour.

Table 7.2 Changes affecting service production over decade to 2007

Changes	Marketing	Public Relations	Marketing & Public Relations	Specialist within Marketing and Public Relations	Total
Email	18	16	18	9	61 [1]
Internet/broadband/websites	14	16	17	11	58
Computer hardware/mobile phones/digital cameras	13	10	8	2	33
Software	12	5	7	2	26
Practices/procedures/home-working/receive work	3	4	4	2	14
Apple MAC	1	1	3	2	7
Digital printing	2	2	1	2	7
Total number of respondents	21	20	25	13	79

Note: [1] number of times change cited by respondents.
Source: Telephone survey, January 2007

Out of the seven influences identified, six are related to ICT (Table 7.2). The majority of businesses mentioned the impact of email, followed by the Internet, broadband and websites. 'Practices, procedures, home-working and receiving work' are the only considerations not directly associated with advances in ICT, although most of these are ICT-enabled (Martin and Matlay, 2001; Southern and Tilley, 2000; Stanworth, 1998; Sullivan, 2003) (Table 7.2).

Email is a key tool used by agencies to communicate with their clients. It has allowed them to engage in frenetic, daily real time communications (Bryson, 2008; Southern and Tilley, 2000). Clients benefit from the ability to send information in the form of electronic documents both written and visual (Southern and Tilley, 2000). This has acted as a catalyst for shorter production times within the marketing and PR industries (Southern and Tilley, 2000). Production techniques have moved from the physical drawing board to the Apple Mac and desk-top publishing and from the typewriter and word processor to the personal computer (Southern and Tilley, 2000).

This shift is encapsulated by home-based marketing and PR agencies. A PR agency described the process of producing and disseminating a press release in the following way:

> "In a typical PR consultancy or advertising agency back in the early to mid 1980s, manual typewriters were still the order of the day, fax machines weren't in use. So when a press release was being put together for a client you'd have to type it on a manual machine, post it to your client who would look at it, post it back or maybe phone. Depending on the urgency, the required amendments and adjustments to that original draft you would then have to retype the original, possibly type several original copies if you didn't have a good photocopier … then they'd all have to be individually folded, put in envelopes, stamps on the envelopes and sent to the news desks of all the organisations that you wanted to receive them. That process could last three, four, five days from the very start of the process to the end. If we get in the time machine and come forward twenty two or twenty five years … I could open my email box and there's a request from a client to issue an urgent press release, a few pointers as to what is required. I key that in to my computer, twenty minutes later I email it back to the client, five minutes after that the client emails back comments and five minute after that the finished version is then being emailed, possibly, in some instances to newspapers and broadcasting organisations over the entire UK and that process may have lasted, from start to finish, two hours" (interview HO1-29 10-07-07).

This draws attention to the labour- and time-saving ability of modern communications in what has become a relatively standardised production procedure: the dissemination of a press release. Such press releases are then faxed to the news media. This method of delivery predominated for approximately ten more years. This delivery method still requires significant effort at both ends in retyping corrections and amendments to each version before a document is re-faxed. Subsequently, the production and release of text has not changed but the methods of communication have become faster and more efficient. On the client side they experience a far more rapid response to requests and are able to comment on a press release and make adjustments with greater ease and efficiency. Before email, if a press release included a photograph it would have been physically posted since it could not be faxed incurring more time and effort and therefore cost on the part of the sender.

The production of visual media has undergone a more profound revolution and the effect of this on the agency-client relationship cannot be underestimated. Previously, artwork was regularly despatched by courier or taken by staff to clients to be discussed and amendments made. Such visits rarely take place now because work is produced and delivered electronically, as one marketing company explained:

> "Obviously in communicating with clients, email has absolutely revolutionised everything because … most of our work is both probably briefed and presented via email. It has cut down face-to-face meetings and it has dramatically speeded things up … you used to get a rough before and carry over to the client and the client would, change this, change this … it took five days to change it all but now with email, … things go over and then they're back within an hour saying change this!" (interview NH1-17 08-08-07).

The type, form and frequency of interaction with clients by marketing and PR agencies have therefore evolved significantly with developments in ICT.

The evidence in this section suggests that usage of ICT and e-business is deeply embedded within the marketing and PR industries (Martin and Matlay, 2001; Southern and Tilley, 2000; Taylor and Murphy, 2004). For these businesses, from home-based sole proprietors to large office-based businesses, ICT is generally comprehensively integrated into their entire business models. Daily contact is undertaken using email and this will frequently include the production and delivery of products because printed material is created and manufactured electronically before being finally printed (Martin and Matlay, 2001; Taylor and Murphy, 2004). Thus, it would be impossible for marketers and PR consultants to function viable businesses without the integrated use of ICT (Castells, 2001; 2002).

7.3.2 The affect of information and communication technologies on serving clients at a distance

It is clear that the adoption of ICT within the marketing and PR industries is inline with high rates of use and integration outlined in other studies. However, we can take this a step further by exploring the impact this has had on servicing clients at a distance. Research into the macro-geography of ICT is more common (Bryson *et al.*, 2004). It has included the spatial patterns of communications (Dodge and Shiode, 2000; Graham, 1999; 2000; Grimes, 2003), such as the inclusion and exclusion of geographic areas from broadband Internet facilities (Grimes, 2003; Malecki and Gorman, 2001), or the proliferation of hardware

equipment within the business environment (Martin and Matlay, 2001; Ramsey *et al.*, 2005; Ramsey and McCole, 2005; Southern and Tilley, 2000).

To understand the impact of ICT on business functions requires consideration of the impact that ICT has had on service production and delivery for specific agency-client relationships. Indeed, Ramsey *et al* (2005:541) found that amongst knowledge-based industries in the Republic of Ireland and Northern Ireland, internet-based technologies could facilitate a broadening of their market place, but the need to adapt to clients needs and exchange tacit information means "existing spatial patterns may be reinforced". This returns the discussion to the importance of face-to-face interaction to enable the dissemination of tacit information. This can only be undertaken by examining the experiences of individual firms (Beyers, 2000; 2003).

The majority of businesses in this study highlighted the ability to transfer large files cheaply over the Internet as being an important method for servicing clients at a distance (Beyers and Lindahl, 1996) (Table 7.3). Email has played its part, but it has been enhanced by the availability of broadband Internet over a wider geographic area, which has facilitated the exchange and transfer of much larger files (Beyers, 2000; 2003; Castells, 2001) (Table 7.3). The option to use functions such as FTP (File Transfer Protocol) or documents whereby a website with password access permits documents to be uploaded and independently downloaded by another party, also with password access, has been important (Beyers, 2000; Beyers and Lindahl, 1996; Martin and Matlay, 2001; Southern and Tilley, 2000). FTP means that individuals can transmit very large files with greater ease and efficiency alongside other electronic formats such as compressed digital images, the JPEG (Joint Photographic Experts

Group) format or the PDF (Portable Document Format), facilities which have only been widely available since the early 1990s.

Table 7.3 The impact of information and communication technologies in facilitating service provision beyond the West Midlands

Impact	Marketing	Public Relations	Marketing & Public Relations	Specialist within Marketing and Public Relations	Total
Frequent, cheaper, large file, communication	18	20	23	10	71 [1]
Reduction in face-to-face meetings	13	10	14	6	43
Internet research	3	4	5	4	16
Extensive marketing via web	4	4	3	4	15
Act quickly on referrals	0	0	2	1	3
Total number of respondents	21	20	25	13	79

Note: [1] number of respondents citing impact.
Source: Telephone survey, January 2007

The immediacy of electronic file transfer cannot be doubted, but to what extent does this lead to a reduction in face-to-face meetings? According to half of the businesses, electronic communication had led to a reduction in the number of face-to-face meetings and this was confirmed during the in-depth interviews when three quarters of the respondents commented that ICT had led to a decrease in interviews (Table 7.3). Thus, ICT has begun to moderate existing relationships; this contrasts with findings by Ramsey *et al.* (2005) and Britton *et al*. (2004) both of whom suggest that the need for face-to-face interaction will not be effected by ICT. However, these studies did not focus on the marketing and PR industries. Indeed, as Beyers (2003) notes, generally face-to-face interaction is important but it is moderated by telephone and computer-based interaction. However, broad generalisations are dangerous since the role and intensity of face-to-face interactions differs according to the BPS

sectors being analysed and the type of firm e.g. Lone Eagles and High Fliers or localized establishments (Beyers, 2000).

The type of work being undertaken and the nature of the client relationship affect the likelihood of face-to-face meetings. This has accelerated time-space compression (Harvey, 1990) especially for a small number of agencies that use teleconferencing and videoconferencing (Table 7.3). This has become a realistic option for more businesses as the Internet software providing this service has become more stable. One business held a weekly teleconferencing meeting with a client firm, with those taking part based in the UK and Europe (Panteli and Dawson, 2001). They use a broadband Internet connection that also permits interactive use of a PowerPoint presentation:

> "This is a deliberate slot so everybody knows where they are … there's an agenda written. From that, prior to it, everything's ticked off, progress is monitored, and then actions are put next to everybody's name, so everyone knows for at least a week who is doing what" (interview NH4-36 18-06-07).

The meeting includes up to seven people based in the West Midlands and Germany. This is an example of the way in which the Internet enables a West Midlands based agency to keep in regular contact with clients located across Europe in a way that was not previously possible (Panteli and Dawson, 2001). Thus, an already strong relationship is being enhanced by the use of ICT.

7.3.3 Other factors affecting the ability of businesses to provide services to clients at a distance and overseas

More than three quarters of the businesses said that there had been a decrease in face-to-face meetings in general (Table 7.3). There are factors, other than the need for face-to-face meetings, that influence an agency's ability to service clients at a distance (Table 7.4): first, whether an agency specialises in a particular industrial sector; second, the size of the project undertaken; third, the client's expectations, because some clients prefer to use a local agency, while for other clients the available budget is the deciding factor when choosing an agency. Larger clients are likely to have more sophisticated marketing and PR operations with a bigger budget, allowing for a national or international team to be assembled if required. Lastly, the strength of the relationship and the agency's policies regarding taking on clients at a distance is a consideration. As a general rule each of these factors is not mutually exclusive.

Table 7.4 Factors influencing businesses propensity to service clients at a distance and abroad

Factor	Example
Industrial sector	Agency establishes key skills or niche industry experience that attracts distant or foreign clients.
Size of project	Agencies are not likely to service small clients or undertake small projects from a distance unless these can be conducted purely using email.
Client expectations	Some clients prefer a local agency that they can physically meet on a regular basis whilst other clients do not require frequent physical contact with their agency
Budget	Big budget projects and large clients are more likely to have the budget to facilitate face-to-face meetings at key points in a project or regular intervals over the long term.
Strength of relationship	If a good working relationship has been developed with a client the likelihood of it working at a distance with infrequent face-to-face meetings is greater
Agency policy	An agency may only accept clients located within a travelling time or mileage radius of the agency's location.

Source: In-depth interviews, summer 2007

Accessing foreign markets

The importance of face-to-face interaction as a platform for effective firm-client relationship and for the ongoing viability of that relationship is indicated by the few agencies able to trade overseas. The convenience of email and the improved capacity of broadband appear to place few constraints on the ability of an agency to provide services to geographically dispersed clients. However, there are significant differences between trading at a distance within the UK and trading abroad. The majority of businesses do not have a

problem with providing services at a distance within the UK, but the proportion falls to less than half in relation to the ability to facilitate foreign trade (Table 7.5).

Table 7.5 Ability of businesses to service and gain clients at a distance and abroad

	Marketing	Public Relations	Marketing & Public Relations	Specialist within Marketing and Public Relations	Total
Able to provide services at a distance?					
Yes	20	20	24	11	75
Able to trade overseas?					
Yes	11	9	13	6	39
No	8	9	9	5	31
Not happened	2	2	3	2	9
Barriers to providing services and gaining new clients at a distance and abroad					
Networking	7	3	8	2	20 [1]
Meeting clients	6	4	4	1	15
Language and culture	1	4	5	1	11
Administration costs/pricing/small business/knowledge of foreign market	4	5	6	3	18
Total number of respondents	21	20	25	13	79

Note: [1] number of respondents citing ability to service distance clients.
Source: Telephone survey, January 2007

Effective networking is the main obstacle when servicing foreign clients because of the difficulties of establishing contacts. Businesses with clients overseas gained them mainly through contacts or referrals; price was less of a consideration. Other barriers include: the costs of administration and being a small business, as well as a lack of knowledge of foreign markets and the ability to be effective in them. These 'soft' concerns of culture and

knowledge of the foreign market are very prohibitive for outsiders and inhibit the agencies ability to embed themselves within local networks and nurture new business relationships.

Some small local agencies work for international companies located in the West Midlands, such as an agency providing marketing for a central European air conditioning company (interview HO1-26 19-06-07). The client is, but chance, located near to the marketer's home. Such situations are no the norm and this business did not choose to locate near to the client. Nevertheless it does demonstrate that small home-based marketing agencies are able to maintain long-term relationships with local clients that are companies with an international presence (Castells, 2001; 2002). This suggests that broad generalisations on the ability of small firms to undertake work for international companies are not clear cut (Castells, 2001; 2002).

When exploring the ability of firms to service clients at a distance and overseas it is evident that firms are able to achieve this by using modern technologies. Other studies have suggested that adoption rates of ICT will heavily influence firms' ability to service clients at a distance. However, marketing and PR represent industries that are naturally high users of ICT and in turn e-business technology. Despite this firms do not universally trade at a distance or overseas. Studies of knowledge based businesses and BPS suggest that the need for face-to-face interaction prohibits a broadening of the market place. This does not appear to be a fair assumption for the marketing and PR industries because there is clear evidence that these firms trade at a distance and overseas.

The findings in this study indicate that the ability of ICT to facilitate distance and overseas trading must be explored in conjunction with the embeddedness of firms (Table 7.4 and 7.4). Networking and meeting clients are key to gaining new business and along with this the strength of relationships and the size of the contract. These factors are all complicit with firms that are heavily embedded within a clients business and operations (Grabher, 1993; Taylor and Leonard, 2002). The more embedded firms are then the greater the benefits that can be derived from these linkages (Uzzi, 1996) and is signalled by the size of projects and the budgets provided. However, once again this differs according to the industry sectors to which the agencies provide marketing and PR services (Madill *et al.*, 2004) and whether the firm is locally or externally orientated (O'Farrell and Wood, 1998). Some marketing and PR firms focus on one specific industry sector because they become known for their ability to provide services within that industry and can gain further work. Sometimes this enables them to build relationships beyond local to national and sometimes international clients.

7.4 Analysing the impact of information and communication technologies on the functioning of marketing and public relations agencies

The evidence presented in this chapter demonstrates that marketing and PR agencies in the West Midlands are exporting both interregionally and internationally. So far it has been argued that ICT has affected the production and delivery of services by all agencies, however, these broader findings need to be embedded and linked to the experiences of specific agencies (Madill *et al.*, 2004; Watts *et al.*, 2006). This process will begin by categorising agencies according to the location of the majority of their clients, and this will enable the impact of ICT to be measured within the context of individual businesses. The role of other factors on

the ability of agencies to service clients at a distance cannot be overlooked. If they were eliminated from the subsequent case studies, it would result in a misleading analysis.

While ICT has increased the opportunities for agencies to engage in interregional trade few have international clients (Table 7.1). There are a number of factors that prevent firms from acquiring foreign clients such as the ability to effectively network within local markets and the ability to meet with potential as well as actual clients, particularly if they have a small budget which does not accommodate extensive travel (O'Farrell and Wood, 1998) (Table 7.5). Furthermore, working with international clients may be hindered because of language and culture (O'Farrell and Wood, 1998). Marketing is a process and part of that includes understanding the customer base and their culture. If a marketer is not fully aware of the nuances of the customer base they may inadvertently offend or misinterpret their requirements (Table 7.5). Finally, and linked to the other factors, are the costs of servicing international clients and issues beyond the control of the agency such as exchange rates (Table 7.5). If these factors were removed, or mollified, then ICT would enable agencies to more effectively meet the needs of clients.

In contrast to the present study, most other research into the impact of ICT on BPS firms has focused on exploring the role ICT plays in promoting the spatial dispersal of business activity (Boiteux-Orain and Guillain, 2004; Britton *et al.*, 2004; Graham, 2000). The present research is examining the impact of ICT on the ability of BPS firms to provide services to clients based locally and non-locally. The examination of the usage of ICT by businesses will also investigate the form and functioning of ICT for individual businesses (Castells, 2001; 2002). Agency-client relationships are complex but there are key moments

when contact is necessary. This research indicates that increasingly some of these moments are being facilitated by ICT.

It has been argued that the marketing and PR agencies surveyed in this study should be seen as operating within a system (Chapter 2). By accepting that business organisations operate within a segmented economy, and that there is interplay and movement within and between segments (Taylor and Thrift, 1983), then the following categorisation will enable a deeper analysis of how business organisations interact together. Analysis of agencies, according to the location of their clients, will bring the particularities of the agency-client relationship to the fore, and go beyond a study of financial transactions. Furthermore, complexity and nonconformity in the agency-client relationship can be uncovered, as well as disentangling networks and emphasising differences and similarities. In doing so, the analysis will reveal the nature of the relationships between the agency and client in terms of power relations (Cowling and Sugden, 1998; Dicken and Thrift, 1992; Ekinsmyth, 2002; Taylor and Thrift, 1982). As well as this the role of ICT must be explored in facilitating the move of business organisations between segments and in revealing how firms are networked and interact (Castells, 2000; 2001).

Previous analyses has tried to identify the industries most likely to engage in e-business and adopt ICT (Haugh and Robson, 2005; Martin and Matlay, 2001; Southern and Tilley, 2000). In light of the need to evaluate the usage of ICT by individual agencies, they have been divided according to whether they are primarily orientated towards local or non-local clients (Table 7.6). A third category includes agencies which derive equal income from both local and non-local clients. Few businesses had an equal split in income between local

and non-local clients; it is useful to note that a considerable number of agencies are only just skewed towards being more local in comparison to being more non-local (Table 7.6). Indeed, if the margin for those agencies classified as mixed is widened to include those that have a turnover of up to and including 60 per cent, from either local or non-local clients, the number of agencies categorised as mixed increases threefold (Table 7.6).

Table 7.6 Local, non-local or mixed: location of clients by turnover

	Percentage of local to non-local clients	
	50:50 [1]	40:60 or 60:40 [2]
Local [3]	37	30
Non-local [4]	38	35
Mixed	3	13
Total number of businesses	78	78

Note: [1] equal breakdown in turnover derived from local/or non local clients. [2] Businesses were classified as having a mixed income with a 10 per cent margin either side of 50 per cent. [3] Over 50 per cent of turnover is derived from clients within the West Midlands. [4] Over 50 per cent of turnover derived from clients beyond the West Midlands.
Source: Telephone survey, January 2007

By categorising agencies as having a local, non-local or mixed client orientation, by the geography of their turnover, a framework is provided through which the use of ICT in the production and delivery of services by agencies can be examined. The categorisation of agencies according to the geography of clients will enable the usage of ICT to be examined in the context of their specific activities and functions within marketing and PR. This process of dividing agencies is necessary so that the investigation into the impact of ICT on the marketing and PR industries can be taken beyond broad analyses.

Although there is widespread usage of ICT, how individual businesses utilise these advancements in technology cannot be generalised (Beyers, 2000; 2003; Martin and Matlay, 2001; Southern and Tilley, 2000). The impacts that ICT has had on the production and delivery of services cannot be denied, but some of the changes in working practices and the new spatial dynamics that these changes could deliver have not occurred for all small firms (Ramsey and McCole, 2005). However, this research indicates that there are changes in the form and function of businesses but they are subtle and do not operate in isolation. Instead they are influenced by other factors (Table 7.5). How ICT and the other factors identified interact and are overcome cannot be easily generalised (Beyers, 2000; 2003). Even so, before key observations can be identified it is necessary to explore the working practices of agencies. The categorisation of agencies provides a foundation and this creates a framework within which agencies can be placed. The spatial distribution of clients can be considered as the dependent variable. The independent variables are those factors that either enable distance to be overcome or reduce the distance over which a client can be effectively serviced. Therefore the agencies have been divided according to the location of clients. This dependent variable can then be analysed in relation to independent variables, such as the impact of ICT and the other factors which hinder agencies' ability to service clients at a distance and internationally (Table 7.5).

Before case studies are presented it is necessary to construct an abstract profile of the three agency types. The first are agencies that are orientated towards clients from the local area. These clients may be located solely in the region or they may be international or national clients with offices in the region. Agencies in the present research are likely to specialise in some way and this is likely to be in the industries in which clients operate. This corresponds

with research by Bryson and Rusten (2004) which reveals that BPS become specialists in the industries local to them. As well as this, the founders of these businesses are heavily influenced by their previous employment, whether this is locally or nationally. This may mean that they have some clients located beyond the region. Nevertheless, as they consolidate their position within a region they become more integrated within local networks. For this research clients have been categorised as either within the West Midlands or beyond, however at least one agency situated near to the border of the region noted that they chose clients located within one hour travelling time which enabled them to encompass the entire Birmingham conurbation as well as Leicester in the East Midlands.

The second are agencies which mainly have non-local clients and distinctions can still be drawn between agencies with mainly locally based clients and those whose clients are non-local. Non-local agencies appear to differ in the type of clients they pursue. These agencies consciously undertake work for clients that are international rather than local and such agencies may have developed niche skills and specialist capabilities and so are engaged in business networks which stretch beyond locally based clients. These niche skills include: becoming specialist marketers or PR agencies within specific industries e.g. manufacturing or the hospitality industry, or in niche areas such as online marketing. Sometimes these linkages are developed during previous employment, but they are also forged as an agency establishes and consolidates their reputation within specific industries. The success of a non-local project is partially determined by the size of the project and whether it is economically viable.

ICT has made long distance relationships easier to administer, particularly for daily interaction and electronic document sharing, but face-to-face meetings are still required, even

if they occur less frequently (Ramsey *et al.*, 2005; Ramsey and McCole, 2005). Although servicing clients at a distance is easier, each client has different requirements and so demands different levels of servicing. For example, some clients want a local agency with whom they can meet on a regular basis. Conversely other clients do not want an agency which is always visiting and prefer to engage in a relationship at 'arm's length'. Thus there appears to be distance embeddedness and levels of client agency control and power (Grabher, 1993; Johannisson *et al.*, 2002; Taylor and Leonard, 2002; Uzzi, 1996). Some clients purposely keep their agency at a distance perhaps to ensure they do not become too engrained within the business's operations. In this instance the client is maintaining greater power in the relationship, ensuring that the agency does not become too indispensable.

Finally, the third agency type (13) is made up of those with a mix of both local and non-local clients (Table 7.6). Mixed agencies may represent individuals that have moved to the West Midlands and established a business. Because the founders of these businesses are new to the region their personal contact networks are based in their region of origin (this is often London and the South East). However, this is not the only scenario: some respondents have continually relocated during the course of their career and have networks of clients that stretch nationally and internationally. Other respondents have worked for international companies and during this period developed contacts across the globe. These agencies have to decide whether to acquire clients located in the region, rely on their existing networks or, as is the case with many of the mixed agencies, manage a portfolio comprising of clients from existing linkages located beyond the region and clients from new networks the agency has begun to embed itself in. These different business models have only been partially explored, especially in relation to the impact of ICT (Beyers and Lindahl, 1996). Agencies which

become established within specific industry sectors also find that they service a mixture of both local and non-local clients.

The following section will case study three marketing and PR agencies which are chosen according to whether their turnover is derived from mainly local, non-local or mixed clients. This simple typology of agencies that are local, non-local or mixed in terms of the location of their clients provides a useful framework for considering the ways in which agencies construct different geographies of client engagement. The case studies are explored in considerable detail and are intended to indentify some of the processes at work, as well as some of the forces creating different geographies of BPS provider and client relationships

7.4.1 Locally orientated agencies

Using the classification of agencies (Table 7.6) this section will case study an agency which derives over 50 per cent of its turnover from clients located within the West Midlands. For some of the micro-businesses their top three clients may account for over 90 per cent of their turnover. Overall 70 per cent of the income may come from clients based locally, whilst a large client located in another region might account for the remaining 30 per cent.

An office-based agency located in Leamington Spa (interview NH1-39 03-10-07)

This agency is owned by a sole proprietor who works from an office block which contains other firms associated within the marketing and PR industries which he uses to fulfil client contracts (interview NH1-39 03-10-07) (see Appendix 6 case study 1 for a detailed

discussion). Although not always planned, small firms do tend to cluster near to similar firms if possible (Keeble and Nachum, 2002) and are embedded in local supply networks (Search and Taylor, 2002). The agency conforms to most assumptions about small firms which may be conceived as being a laggard small firm (Taylor and Thrift, 1982). The majority of the agency's clients are within the local region and it is heavily embedded within local supply networks (Grabher, 1993; Oinas, 2006; Search and Taylor, 2002).

The respondent has found that ICT has infiltrated most of the day-to-day communication with clients. Furthermore the production of services is now completely undertaken electronically so literature produced and other marketing products are created and delivered electronically. Most of the firm's clients represent long-term relationships cultivated over many years (Oinas, 2006; Search and Taylor, 2002). The familiarity is such that the client expects the firm to always be there at his disposal and perhaps highlights the sort of complex inter-firm relationships (Araujo *et al.*, 2003; Cowling and Sugden, 1998). Thus, although they are on good terms the power within the relationship ultimately lies with the client in this relationship (Cowling and Sugden, 1998; Taylor and Leonard, 2002; Uzzi, 1996). The importance of relationships is emphasised by the importance of referral work thus the networks between individuals and firms is a key part of acquiring new business (Cowling and Sugden, 1998; Ekinsmyth, 2002; Grabher, 2002a; 2002b; Johannisson *et al.*, 2002).

Adoption rates in the marketing and PR industries are generally high (Southern and Tilley, 2000). In this firm the production and delivery of work is mainly carried out using ICT. The exception may be the final proofs of a piece of marketing material which are likely to be printed professionally. The firm mainly undertakes work for local clients but one of its

largest clients is located in East Sussex. The respondent rarely meets with the client and yet they have a very strong relationship which was developed over many years (Taylor, 2006). As the respondent has migrated to electronic systems of production and delivery this relationship is now almost entirely managed online and *via* telephone (Leslie, 1995; Leslie, 1997). The respondent believes he is heavily integrated within the firms of all of his long standing clients (Castells, 2000; Johannisson *et al.*, 2002; Taylor and Leonard, 2002). Furthermore, because of the strength of his relationship with them he rarely meets them face-to-face, instead most communication is undertaken using email and telephone (Castells, 2000). In so doing the power ultimately lies with the client but the level of integration and embeddedness enables the agency to exercise more control. This is because the client is hopefully reliant to the point that they will wait for the agency if it is busy with another client and will not terminate the contract too hastily.

This case study indicates that ICT is moderating day-to-day interaction between marketing and PR agencies and clients (Leslie, 1997). Furthermore, the more embedded the firm is within a client's business the easier it is for communication to take place using advanced ICT. Thus, there appears to be two stages in the development of a firm-client relationship. The first stage relies on regular face-to-face contact so that individuals and personalities can cement their relationship. As trust and reciprocity develop and the agency becomes embedded within the firm face-to-face contact continues (Johannisson *et al.*, 2002), but is moderated by the use of ICT (Beyers, 2000; 2003). Where strong relationships exist ICT can loosen and at times free geographical ties.

7.4.2 Non-locally orientated agencies

The previous case study focussed on an agency which derived the majority of its turnover from locally based clients. ICT had affected the speed and efficiency with which it was able to undertake and conduct client projects. The following case study provides an analysis of a firm that has purposefully set out to harness the enabling properties of ICT to allow them to establish a business structure and produce and deliver services to clients in a structure which would almost be impossible without ICT.

A home-based marketing consultant located in a village near Redditch (interview HO1-8 20-07-07)

This case study begins to unravel the profound effect that ICT can have on the organisation of production within marketing and PR agencies (see Appendix 6 case study 2 for a detailed discussion). This indicates the importance of a sectoral based study in industries which are recognised as having a high ICT adoption rate (Martin and Matlay, 2001; Southern and Tilley, 2000). The business is owned by two partners, both of whom are home-based. One is located in Redditch and one in Berkhamsted, north-west of London. All of the clients are located outside of the region though the largest has a site in Worcestershire (O'Farrell and Wood, 1998). Their business model is tailored towards targeting large companies which are mainly national or international in scope (Bryson *et al.*, 1993a; Bryson, 1997; Castells, 2000; 2001; O'Farrell and Wood, 1998).

The first client was ‘won’ following a formal bidding process and despite their small size are able to win contracts for international companies (Leslie, 1997). Subsequent contracts have been gained through referral and contacts (Ekinsmyth, 1999; Grabher, 2001b; 2002b). The importance of formal industry contacts and completing good work to gain more clients cannot be denied. However, as they gain a positive reputation within the industry they specialise in they are able to continue serving those clients using ICT, which for them is the backbone of their business (Southern and Tilley, 2000; Taylor and Murphy, 2004). Once again this indicates that there are complex power relations between the agency and client (Dicken and Thrift, 1992). However, if the agency (which may be a micro-firm or sole proprietor) has an outstanding reputation they may be able to retain a form of power of larger clients who will wait for them if they are unable to service them at that time. On the other hand, because the agency is only as good as its last job that power is precarious. The frequency of client meetings is decided by the size of the contract; even so, face-to-face meetings take place at key points in the project (Grabher, 2002b). The remainder of the time they rely on ICT and the telephone.

ICT is heavily integrated within this business, enabling it to work as a partnership over a split site, in their respective homes (Castells, 2001; Haugh and Robson, 2005). Furthermore, their website is actively used to win new contracts and work with existing clients as well as utilising file sharing facilities (Castells, 2000; 2001; Haugh and Robson, 2005; Taylor and Murphy, 2004). There are also links to a network of firms across the globe with whom they work to fulfil client contracts (Castells, 2000; O'Farrell and Wood, 1998; Uzzi, 1996). These contacts have been developed over many years and despite a disparate geography is now being utilised within his agency (Dicken and Malmberg, 2001; Uzzi, 1996). Indeed, some of

these practices could still be undertaken before ICT but some contracts and the utilisation of contacts are actively enhanced by fully integrating and adopting e-business systems (Castells, 2001). ICT has increased efficiency and had a profound effect on the flexibility of the agency enabling a small home-based business to have global reach and engage in multinational project teams (Dicken and Malmberg, 2001; Faulconbridge, 2008). This firm displays the characteristics of an intermediate small firm although because they are not wishing to expand beyond their present partnership or employ more staff it is likely they will remain a micro-firm (Taylor and Thrift, 1983).

7.4.3 Mixed orientated agencies

The previous case studies have been drawn from agencies based in the region with a turnover derived either from mainly locally based or non-locally based clients. This last case study will now examine an agency with a turnover that includes almost an equal split between local and non-local clients. The telephone survey included three agencies whose turnover was split evenly between clients based in the region and clients from beyond the region including the UK and abroad. An agency with a 60:40 per cent split between local and non-local clients has been chosen (Table 7.6).

An office-based marketing agency located in Kenilworth, Warwickshire (interview NH1-1 19-07-07)

This agency, like the previous agency is building a reputation within a specific industrial sector, in this case construction (see Appendix 6 case study 3 for a detailed

discussion). The firm is an intermediate small firm with growth aspirations (Taylor and Thrift, 1983). It is actively investing in online marketing which suggest leader firm tendencies (Taylor and Thrift, 1983). The founder has drawn heavily on his network of contacts from his previous role working as an in-house marketer (Madill *et al.*, 2004; Uzzi, 1996). Again contacts and networks are fundamental to the success and ongoing prosperity of the firm. This firm is usually the marketing department for firms which are unable to provide this facility in-house. Hence, the agency aims to become heavily embedded within the client firms. This level of embeddedness is likely to have a strong and significant ongoing impact on the power relationships between the agency and the client (Johannisson *et al.*, 2002; Uzzi, 1996).

Paradoxically the more embedded and strategic the agency is to the clients operation the less need there is for regular face-to-face contact. It can be assumed that the relationship at this point is strong and the client relies heavily on the agency to fulfil its obligations (Johannisson *et al.*, 2002; Taylor and Leonard, 2002). An agency undertaking work for a client with this level of integration can rely on electronic communication and the telephone to maintain the relationship without the need for constant face-to-face meetings (Beyers, 2000; Grabher, 1993). Indeed, the respondent actively tries to encourage the employees to telephone clients rather than rely on email and for the clients to visit the office even though they are not always keen to.

Once again the experience of this firm shows that, without ICT, it would not be viable. However, in an industry where all products are created and delivered electronically firms have to be fully integrated into ICT systems (Southern and Tilley, 2000; Taylor and Murphy, 2004). This firm highlights the friction between e-business and traditional face-to-face

contact. If strong face-to-face relationships are not formed with clients then it is very difficult for the agency to become embedded within a firm (Oinas, 2006; Uzzi, 1996). However, once this is achieved they can then take advantage of ICT communications which cannot maintain relationships alone (Beyers, 2003; O'Farrell and Wood, 1998). The importance of personality is indicated within this study because some of the largest clients have been gained by the founder. As the business is grown and he tries to oversee all client accounts from a distance some clients become disconcerted when he does not attend some of the less important face-to-face meetings (Granovetter, 1985; Oinas, 2006). This suggests that ICT can indeed moderate face-to-face contact and can allow agencies to administer clients from a distance but individuals and personal relationships are crucial to maintain and services (Oinas, 2006; Taylor and Leonard, 2002). There is a fine power balance between an agency and client. In the short term power lies with the client who can terminate a contract at any time. However, the more embedded the agency or supplier becomes within the clients business the more this can tilt the balance of power in favour of the agency. This explains why agencies strive for long term stable relationships with clients.

7.4.4 Embedding the case studies within a profile of marketing and public relations agencies

These three case studies have provided an overview of the impact of ICT on the production and delivery of services to local and geographically dispersed clients. Indeed, for these marketing and PR firms ICT represent a means to an end (Taylor and Murphy, 2004). There are three parallels that can be drawn from these case studies. First, contacts are fundamental for most businesses when they are established and as they continue to grow (Search and Taylor, 2002; Taylor, 1999; Uzzi, 1996). Consequently, ICT is most effective

when working with clients that have been acquired via some form of face-to-face interaction or third party referral (Beyers, 2000). Secondly, referrals and a good reputation play a key role in providing agencies with new clients (Ekinsmyth, 1999; 2002; Grabher, 2001b; 2002a; Leslie, 1997). In order for these to develop agencies and clients need to be situated within communities or networks of individuals (Castells, 2000; Ekinsmyth, 1999; 2002; Taylor and Leonard, 2002; Uzzi, 1996). Networks are usually based in a specific industry or within a particular service (Ekinsmyth, 2002; Grabher, 2001a; 2001b). For example, the first and third case study had clients that were in either one or two industry areas, the second specialising in a specific area of marketing; in this situation clients may be relatively diverse but the same type of product is being provided to each.

Thirdly, ICT provides agencies with a mix of labour and time saving capabilities which allows a lot of non-strategic face-to-face meetings to become superfluous (Beyers, 2000; 2005b). Fourthly, because some non-strategic meetings are rendered unnecessary (for example delivering design outputs) clients can be taken on which are geographically further a field, yet not so far away that key face-to-face meetings cannot be facilitated relatively easily (Castells, 2000; 2001). Lastly, because of the real time communication provided by a mix of email and telephone, relationships can be maintained which are the bedrock of successful agency-client transactions (Panteli and Dawson, 2001). The following section will turn to some of the wider implications of these findings for understanding of trade in services as it is facilitated by various forms of ICT.

7.5 Trading services: information and communication technologies and the production and consumption of marketing and public relations services

Categorising marketing and PR agencies, according to the location of their clients, has provided a useful framework with which to analyse the impact of ICT on their ability to provide services to clients at a distance. Furthermore the case studies have provided the opportunity to examine some of the factors which determine the type and location of clients, such as the founder's previous employment history. This section will focus on these findings and outline their wider implications for the analysis of interregional and international service trade.

7.5.1 Using the United Nations framework to categorise international trade in services

The analysis presented in this chapter reveals that marketing and PR agencies have benefited from developments in ICT. These developments have facilitated the ways in which these businesses co-produce services with clients. ICT enables small agencies to deliver services to clients located some distance from their office. Effectively, developments in ICT have enhanced the ability of agencies to engage in international and intraregional trade. An extensive literature on trade has developed. Much of this literature has been informed by the four modes of service trade identified by the United Nations (UN) (UN, 2002). In the UN framework, suppliers are classified according to the type of service transactions in which they engage. This framework is a useful guide to conceptualising international trade in services, but the focus is on international trade rather than interregional trade. The four modes can inform the analysis of inter-regional service trade, but some alterations and additions are necessary. Before these are considered, it is useful to explore the four modes. These are:

Mode 1: *Cross-border supply*, which occurs when suppliers of services in one country supply services to consumers in another country without either supplier or consumer moving into the territory of the other.

Mode 2: *Consumption abroad*, which refers to the process by which a consumer resident in one country moves to another country to obtain a service.

Mode 3: *Commercial presence*, which occurs where enterprises in an economy may supply services internationally through the activities of their foreign affiliates.

Mode 4: *Presence of natural persons*, which describes the process by which an individual moves to the country of the consumer in order to provide a service, whether on his or her own behalf or on behalf of his or her employer.

(UN, 2002:1)

The UN modes of international services trade are a good representation of most aspects of international trade and they can also be transposed and used to analyse interregional trade. Even so, the modes are designed to include all potential forms of trade but they are static as they do not take into account change over time. The UN modes are useful as they provide a snapshot of international trade at any one time but obscure some of the dynamics of service trade and the evolution of firms' business models. Attention needs to be given to the ways in which firms move between modes as well as trading relationships that involve more than one mode. The General Agreement on Trade in Services (GATS) defines the supply of services as including "production, distribution, marketing, sale and delivery" (UN, 2002:11). This suggests that the modes should represent the intricacies of all the stages of the production and delivery of services. The modes are not flexible enough to fully

examine these stages. The UN modes can be used to categorise interregional as well as international trade, but with some modification.

Mode 1 refers to cross-border trade, where neither the consumer nor supplier relocates to another country to either provide or consume a service. This mode describes a pure trading relationship. This is perhaps misleading as it suggests that representatives of the business and client never meet face-to-face, and that all transactions are facilitated by other means:

> "The delivery of the service can be effected, for example, by telephone, fax, Internet or other computer mediated links, television or the sending of documents, disks, tapes etc. by mail or courier" (UN, 2002:11).

Indeed, ICT does effect how a service is delivered but the trade of bespoke and complex services to clients requires intense periods of interaction before the final service is supplied. Whilst the final service may be delivered by email the production and execution of a service frequently requires a mixture of face-to-face interaction as well as regular email and telephone communication. Thus a service delivered by ICT might have initially been facilitated by a face-to-face meeting. By just focussing on the delivery of the service, these modes are focussing on one temporal and spatial moment.

Mode 2 refers to the movement of consumers to the supplier in order to consume the service. Research has successfully used this mode to measure tourists' trips to museums (Chanda, 2003), research patients travelling abroad for medical services (Sebastian and Hurtig, 2007) and students studying at universities outside their home country (Scherrer, 2005). However, the application of this mode to some supplier-consumer scenarios is less

clear cut. Indeed, evidence from the present study indicates that for some business transactions the supplier and the consumer will both relocate beyond their respective 'territory's' in order to deliver and consume a service. Similar concerns have been raised by Arkell (2002) with regard to financial services, though the main issue was between modes 1 and 2 and 3 and 4. It is argued here that because the "territorial location of the supplier is used to differentiate between modes" (Arkell, 2002:339), at present they are inadequate.

The UN modes are structured in such a way that in modes 1 and 2 the service supplier is not present in the consumer's territory, whilst in modes 3 and 4 the consumer is not present in the territory of service provider (Chang *et al.*, 1999). However, this study has found that in some agency-client relationships the consumer and service provider visit each other's premises, whilst others meet at locations outside the territories of both. There are two problems with the structure of the modes because they imply that the consumption of the service is both temporally and spatially fixed and neither alters, e.g. a student experiencing a lecture.

Firstly, it is implied that the consumption is spatially fixed. However, business service transactions do not follow neat patterns and a consumer and supplier arrange meetings at locations which suit them. For example some agencies in this research mentioned meeting clients at different locations and this was dependent on the workload and schedule of both parties. Indeed, this may be interregionally or internationally, depending on the client. Secondly, the modes suggest that the consumption is temporally fixed. However, agencies providing marketing and PR services are fulfilling tasks for clients in front of and away from them. Furthermore, some agency client relationships are long term and maybe in the form of a

retainer, whereby the client pays the agency a fixed fee (usually on an annual basis) to perform tasks and/or projects over that period. Thus, during the course of a project or retainer the agency will meet with a client face-to-face and at different locations and transmit documentation *via* email and some may also engage in teleconferencing. Consequently there is a need for greater flexibility between modes so that the nuances in the consumer-provider relationship for BPS and, not least, marketing and PR, are revealed and accommodated.

Mode 3 has come under intense scrutiny in recent years because it was found that "US-owned majority-owned foreign affiliates abroad were valued at US$338 billion" in 1999 (Bryson *et al.*, 2004:200). However, apart from Foreign Direct Investment (FDI), mode 3 also includes "corporations, joint ventures, partnerships, representative offices and branches" (Chang *et al.*, 1999:5). Thus 'commercial presence' is highly flexible.

Even so, this mode is usually associated with FDI in the form of multinationals establishing branch offices in different countries. For example, Hibbert (2003) argues that this mode is important for developing economies seeking investment to provide employment; moreover that:

> "The need for commercial presence is now being partly superseded by an increasing emphasis on electronically facilitated cross-border trade via the Internet. Indeed, many smaller service firms are more concerned about their right not to establish a local commercial presence" (Hibbert, 2003:77).

However, the evidence here suggests forms of commercial presence are still crucial for many business activities. Indeed, some small businesses use the Internet and create an online platform which links their business with 'cyber associates'. In doing so it is hoped that

potential clients assume the agency has the global reach to undertake projects requiring international or interregional presence. Therefore, rather than just FDI, it is argued here that less formal forms of commercial presence require investigation because the evidence here indicates that this is a crucial form of alliance for small businesses engaging in interregional and international services trade. Not least, because it is usually impossible for small firms to undertake FDI (O'Farrell and Wood, 1998). Furthermore, these types of alliances are actively sort and facilitated by ICT rather than avoided.

Mode 4 focuses on service providers who move internationally, or as also being suggested here interregionally, to supply a consumer with a service. The main concern with mode 4 is inflexibility because some services comprise more than one mode. This is particularly relevant when examining business consultants, such as marketing and PR agencies providing services using different methods. This problem has not gone unnoticed, and in some national accounts modes 1 and 4 are combined (Magdeleine and Maurer, 2008). If more countries attempt to present their national accounts using this system of modes it would seem necessary to make the system more flexible. Magdeleine and Maurer (2008) give guidelines to determine which mode is the most dominant so the service trade can be classified. Even so, rather than revealing the complexity of services trade and the dynamisms caused by ICT these facets are suppressed if transactions are classified according to the dominant mode.

The other problem with mode 4 is a lack of definition over the time spent by an individual in the client territory. Whilst it is clear that this mode encompasses “non-permanent” employment, “the temporary status generally covers two to five years”, although

this is subject to change depending on which category of "natural persons" is being grouped (UN, 2002:12). It is less obvious how suppliers are classified if they have relocated for a shorter period, despite short term employment being included. The UN (2002) refers to specific examples and these are similar or related to the type of agency-client transactions discussed in the present research. This research has evidence of self-employed respondents relocating both internationally and interregionally to service clients for up to a year at a time (Chapter 6). Furthermore, some sole proprietors are likely to travel to or on behalf of clients for days, if not weeks, on a regular basis in order to provide the service required. It would therefore appear that these individuals need to be included within this category.

7.5.2 Advancing the analysis of trade in services

The case studies presented in this chapter, as well as the broader evidence on the use and impact of ICT in the production and delivery of services in BPS firms and in particular the marketing and PR agencies, suggest that the UN modes need to go further in their categorisation of service trade. Furthermore, the case studies have revealed dynamism in the agency-client relationship which is not accommodated at present in any of the modes. Relationships change over time and through space and this transition is not enabled in the existing four service modes. For example, there needs to be provision for service providers with clients that are at a distance and most trade and communication is facilitated by ICT, but for whom there are times when either the client or the agency meets face-to-face. Thus there is a need for a mixed mode delivery of services. Secondly, as relationships between the client and agency evolve this research has presented evidence that the delivery of services shifts from one mode to another, for example from mode 4 to mode 1.

In light of these findings, the following two modes are proposed:

Mode 5: *mixed mode delivery of services*, which occurs when the relationship requires occasional but limited presence of natural persons. This could be in the form of the supplier visiting the consumer or *vice versa*. The majority of the service is delivered *via* ICT.

Mode 6: *shift mode delivery of services*, which happens as the client relationship evolves and the agency moves from dealing with the client at their location to totally or almost totally *via* ICT.

ICT has had a significant effect on the form and function of marketing and PR agencies. This has enabled them to provide services to clients at a distance: interregionally and internationally. Whilst there is only a small amount of international trade there is substantial interregional trade and there is a need to establish a framework through which this trade can be analysed. The UN modes are a useful starting point but they do not adequately deal with dynamism and transition as BPS firms evolve and more complex systems of trade fuelled by developments in ICT.

The two new modes developed here overcome the shortcomings of the existing four modes. Mode 5 indicates the need to appreciate that some client-agency relationships are in practice an amalgamation of different modes. Some relationships may be skewed towards one particular mode, but most contain elements of at least two (Magdeleine and Maurer,

2008). The evidence here suggests that international and interregional trade is frequently structured around key face-to-face meetings interspersed with intense email communication. Therefore there is evidence that agencies use a mixture of modes 1 and 4, assuming that mode 4 includes short periods of just a few days when a service provider visits a client or less time if interregional.

Establishing mixed mode classification will enable the diversity of consumer-provider relationships to come to the fore. Mode 3 appears to be significant for business organisations both large and small. It would seem sensible to provide a category where other forms of services trade are recognised rather than suppressed. This would provide a method of examining more efficiently the forms of communication which are used by small BPS firms, such as marketing and PR agencies. It would then be possible to measure and examine more effectively how BPS providers produce and deliver their services to clients and in particular the modifying role of ICT on traditional forms of communication.

Mode 6 represents relationships that evolve both temporally and spatially. Once again there is an emphasis on the role ICT plays in enabling a relationship which relies heavily on face-to-face contact to move almost or totally to being conducted using ICT and telephone contact. As agencies become heavily engrained within a client's business the nature of some of work may become routine and this may remove the need for face-to-face contact. Trust tends to be developed and maintained in face-to-face encounters and many ICT facilitated business relationships are founded upon trust established in social encounters rather than through email or telephone exchanges.

Building strong client relationships is crucial for agencies desiring long-term stability and growth. Strong relationships increase client loyalty and indicate that an agency is heavily integrated within the client organisation. As well as ensuring the client continuity this also increases the likelihood of a positive referral or recommendation by the client to potential new clients. As the agency client relationship evolves there is evidence (for example case study one) that the form of service delivery and interactions between the client and agency can change. The transition between modes is not easily tracked at the present time in the existing set of modes. Mode 6 rectifies this and reflects the dynamic nature of trade in services.

7.6 Conclusion

In summary, it has been shown how ICT has significantly impacted on the production and delivery of services (Beyers, 2003; Castells, 2001). Research into the impact of ICT on the organisation and functioning of businesses has tended to focus on the adoption rates of e-business technology (Haugh and Robson, 2005; Southern and Tilley, 2000). The marketing and PR industries are recognised as having high rates of ICT adoption and this has been confirmed by the survey results; not least because the majority of communications and the production and delivery of services is done using electronic media (Beyers, 2003; Southern and Tilley, 2000; Taylor and Murphy, 2004). Therefore these industries are appropriate for examining the impact of ICT on the ability of firms to service clients at a distance. Furthermore, there is evidence of what Castells (2000; 2001) has termed the ‘network enterprise’ whereby the firm acts the hub of a firms networked and embedded within complex inter- and intra- firm linkages.

When reviewing the production process ICT has enabled small firms to establish themselves and undertake a variety of functions, including complex procedures and sophisticated functions not previously possible without various in-house technical staff or outside suppliers. This has enabled smaller firms to establish easily, with low barriers to entry into the industry (Haugh and Robson, 2005). It has reduced the time taken to produce, edit and deliver work to clients, through a system which permits documents to be sent electronically and amendments made and returned (Beyers, 2003; Beyers and Lindahl, 1996). Thus, clients can be contacted electronically when unavailable and it is flexible enough to enable texts to be co-edited in near real-time. Indeed, it can be argued that ICT has loosened the ties which would previously encourage marketing and PR industries to cluster in urban locations (Boiteux-Orain and Guillain, 2004; Graham, 2000; Sassen, 2001b). Instead, there has been a proliferation of firms in country towns and villages as well as home-based businesses in all urban and rural locations (map 3.2). Businesses can locate with greater ease in non-standard premises and locations, whilst maintaining clients located near by and at some distance from the business (Taylor and Murphy, 2004). This has been partly facilitated by a regional policy which has sought to provide universal broadband coverage (AWM, 2006; Grimes, 2003).

Beyond the production of services the main focus of the analysis here has been on exploring the extent that ICT has enabled firms to service clients at a distance. By categorising firms according to whether their clients are predominantly local, non-local or a mixture of the two it has been possible to examine the business models of firms and the factors permitting them to service clients at a distance (Beyers, 2000). There are two key factors: first, there is extensive and intensive flexibility within the industry, for example the

business model of the firm in terms of the size of client firms targeted and worked for and the industry sector in which they specialise in providing marketing and PR services (Leslie, 1997). Some agencies specialise in a particular niche marketing and PR activity and are likely to undertake projects for national and international companies (Leslie, 1997). Others become known for providing services for specific industry sectors. From the quality of their work they are able to build a positive reputation and consequently receive individual recommendations and referrals to other potential clients (Ekinsmyth, 1999; Grabher, 2002a). Furthermore, some agencies are keen to focus on seeking clients located within a certain radius of their office or within the region; conversely others do not limit themselves geographically. Second, and strongly linked with the first factor, is the importance of contacts and referrals and building relationships. Contacts which an individual has developed before establishing a business are crucial for gaining new work. In the long-term referrals between individuals and at the inter-firm level play a similarly crucial role for gaining new contracts (Ekinsmyth, 2002; Grabher, 2002b).

Following this relationships have to be built and trust and reciprocity established (Oinas, 1999; Saxenian, 1996). The strength of agency-client relationships are indicated by the longevity of the relationship, the size of the account, the frequency of projects and the requirements of the client. All of these factors will determine the nature of the power between the agency and the client. Indeed, the size of the business organisations will not always determine the power dynamic, small agencies with specialist niche skills may hold a unique power ensuring they do not lose a client and are treated respectfully. It is necessary to understand whether the agency is dominated by the client or whether they work and cooperate together (Dicken and Thrift, 1992; Taylor and Leonard, 2002).

ICT is heavily integrated and extensively adopted by agencies working in the marketing and PR industries, but it is these factors which moderate the extent to which ICT can enable distance clients to be serviced. In other words, if a relationship is strong and the budget is sufficiently great then the geography of the client can be overcome. Furthermore, ICT has enabled the distance over which clients can be serviced to be stretched in two ways firstly, by reducing the frequency of face-to-face meetings and restricting these to key moments in the projects life-cycle. Secondly, production and delivery is all undertaken electronically which significantly reduces the costs previously incurred transporting proofs and administering amendments and day-to-day communications. The efficiencies in production and communication have enabled small firms to enter the marketing and PR industries more easily. Furthermore, they are able to operate business models in which they undertake contracts for national and international companies.

Networks between small firms are enabling large projects to be executed across national and international geographies (Madill *et al.*, 2004; O'Farrell and Wood, 1998). Furthermore, these networks are being exploited and are facilitated by ICT. In order to measure and analyse the characteristics of these linkages the UN modes provide a useful framework for exploring international trade in services (Hibbert, 2003; Sassen, 2001b). But these modes can also be applied to interregional trade in services. The UN modes appreciate the modifying and enabling feature of ICT for new forms of trade, but the existing modes are too rigid to fully reveal and examine these changes. Thus from the broad findings and the case studies it has been possible to formulate two more modes which represent the dynamism and complexity of services trade. The two new modes provide two key facilities not developed in

the existing modes: first, inter-firm relationships which are an amalgam of different modes and second, client service delivery that changes over time.

The present research has set out to acknowledge the importance of temporal and spatial change in the production and delivery of marketing and PR services. This is partly accomplished by using the notion of a segmented economy so that firms can be categorised according to their business model. The segmentation model permits the evolution of firms to be tracked as they evolve (Taylor and Thrift, 1982). The segmentation model was formulated to categorise manufacturing firms, service industries are different as trade in services can take a number of different forms (Taylor and Thrift, 1982). There are complex geographies of service trade in which small marketing and PR agencies are engaged. The web of interactions is being stretched thorough space and is becoming more intricate over time as developments in ICT impact on the production and distribution of services.

CHAPTER EIGHT

CONCLUSION

8.1 Introduction

This thesis has explored the establishment, growth and organisation of marketing and PR agencies and their spatial distribution in a sub-region of the West Midlands (Warwickshire, Worcestershire and West Midlands Metropolitan County). This sub-region provides a high quality of life and good physical communications: it is well serviced by motorways and mainline railway connections to the rest of the country (Bryson and Taylor, 2006; Love *et al.*, 2006; WMRO, 2005). Thus despite being officially classified as rural most parts of this area are easily accessible (Bibby and Shepherd, 2005). These factors have contributed to the growth of pockets of advanced manufacturing and a cluster of BPS activities stretching from central Birmingham to Coventry and outwards into country towns and rural Warwickshire and Worcestershire (Bryson and Taylor, 2006). It is an area with a vibrant local/regional economy and as such has attracted large numbers of highly qualified and affluent residents (Love *et al.*, 2006; WMRO, 2005; 2006). Some of these residents are retirees whilst others have moved to raise children in an area more conducive to family life (WMRO, 2005; 2006). This mix of experience, wealth, self efficacy and education has created a relatively dynamic location facilitating optimal levels of potential entrepreneurial activity (Acs and Armington, 2004; Audretsch, 2007; Audretsch and Keilbach, 2004; Tamasy and Le Heron, 2008).

A focus on the marketing and PR industries has yielded a range of benefits. Not least it has permitted an examination of the behaviours of individuals and firms in this sub-region

and as a consequence uncovered the nuances of these industries in terms of: the broad organisation and functioning of the sectors; the individual decision-making processes of professionals deciding to establish enterprises within these sectors; the factors influencing the location decisions of firms and, finally, the impact of ICT on inter-firm relationships and the form and functioning of agencies. There has been intense interest in the location and organisation of BPS which has stemmed from their concentration in urban centres (Beaverstock *et al.*, 1999; Boiteux-Orain and Guillain, 2004; Britton *et al.*, 2004; Luthi *et al.*, 2008; Sassen, 2001b), but research on BPS in rural locations is underdeveloped. There has been previous research into media workers and the advertising industry (Baines and Robson, 2001; Ekinsmyth, 1999; 2002; Grabher, 2001a; 2002a; Leslie, 1995; Leslie, 1997), but in geography no research into the activities of marketing and PR firms.

Analysis of the spatial distribution of BPS has been influenced by neoclassical theories of business location whereby the geography of firms is driven by access to resources and markets (Daniels, 1985; Sassen, 2001b; Taylor, 2006; Williamson, 1975). The production and distribution of services is different not least because services produce intangible products and the primary resource input is information and knowledge. Furthermore, the organisation and production of services has been impacted upon by new technologies which have led to the loosening of geographical ties for individuals within these industries (Belso Martinez, 2005; Castells, 2000). Indeed, the impact of ICT is complex and is heavily integrated within most aspects of marketing and PR: from the processes of firm formation to the organisation and functioning of agencies as well as inter- and intra-firm relationships (Castells, 2000; 2001; Southern and Tilley, 2000).

The limitations of understanding BPS locations using neoclassical and transaction cost theories has led this study to examine other theories that have explored the organisation, form and functioning of businesses and in particular SMEs (Taylor, 2006; Taylor and Thrift, 1983). The majority of research has analysed manufacturing firms (Acs and Storey, 2004; Audretsch, 2007; Audretsch and Keilbach, 2004; Braunerhjelm and Borgman, 2004; Delmar and Davidsson, 2000), but this theoretical literature has provided a useful starting point to begin examining SMEs in the marketing and PR industries.

Overview

The analysis presented in this thesis is based on a telephone survey of 80 marketing and PR businesses in the West Midlands and a further 40 in-depth interviews with marketing and PR professionals, the majority of which were business owners. This is approximately 20 per cent of a total of 393 businesses in the sub-regional area and is a representative sample of a varied population of business organisations. This thesis has explored the geographies and operational dynamics of businesses in the marketing and PR industries. This section highlights some of the key contributions in this thesis and also explores the applicability of the findings to other BPS sectors.

The analysis of the marketing and PR industries has identified significant new evidence concerning the establishment and growth of small BPS enterprises. These businesses, although individually insignificant, cumulatively represent the bedrock of the marketing and PR industries. In essence this research has found that these sectors are characterised by a plurality of business models and types and that this heterogeneity is crucial

for the ongoing growth and sustainability of the sector. The varied business models are partly enabled by ICT but also low barriers to entry. In view of this the key findings from this research will be outlined below and then discussed in greater detail. The emphasis will be placed on revealing the extent to which these factors are interconnected and cannot be fully appreciated in isolation.

- This research demonstrates the importance of undertaking a study which is sector based and incorporates all business organisations operating within it. Hence, it has revealed the dynamism within the marketing and PR industries. This has not previously been undertaken. Furthermore, the study sample does not discriminate by size or location of businesses within the sub-region.
- The whole sector study of the marketing and PR industries has been crucial in understanding how a varied mix of business organisations interact and operate together. Some studies dismiss or consider peripheral particular forms of business models and tend to focus on larger firms and ignore micro-enterprises (Faulconbridge, 2008; Luthi *et al.*, 2008; Sassen, 2001b). This research has found that marketing and PR and other BPS sectors are comprised of heterogeneous business formats all of which are crucial to their ongoing growth and evolution.
- A strong and vibrant sector is necessary to enable long term growth, self-replication and independence (Acs and Storey, 2004; Belso Martinez, 2005; Braunerhjelm and Borgman, 2004). Some firms in the sector act as incubators to professionals who go on to establish their own enterprises. Also professionals relocating to the area are establishing firms and adding to the rich mix of firms operating in the region.

- The move to self-employment by an employee is a complex process (Fletcher, 2006) and is the final stage in the culmination of many factors or critical incidents (Flanagan, 1954) that work together to influence a decision-making process. The catalyst to the process is in the form of a *tipping-point critical incident*. This tipping-point may reflect actual or perceived actions undertaken by an employer. These may include actual redundancy or perceptions regarding the threat of redundancy as well as pressures that come from mergers and acquisitions. Hence, internal industry upheaval is imperative to producing the periods of flux which ensure the creation of new firms required for the long-term sustainability of the sector.
- The role of the home for establishing a business within the manufacturing literature is well known (Fritsch *et al.*, 2006; Henley, 2005). This study has found that the home is a primary location for establishing new small BPS businesses and represents a transition stage for marketing and PR firms which eventually move to larger premises and employ more workers. HBBs have been ignored within the geographies of BPS and this research suggests that to fully understand their growth and evolution it is crucial for researchers to explore the role of the home in service firm formation.
- The spatial distribution of the various business organisations is influenced by two factors. First, the knowledge of the founders which permits them to establish a firm with few overheads due to low barriers to entry (Eckhardt and Shane, 2003; Henley, 2005). Second, ICT which enables the founders to easily set-up a business at almost any site and this is frequently their home.
- ICT enables pre-established inter-firm trust and personal business relationships to be fully exploited when previously this would have been impossible. ICT enables personal networks to be geographically stretched. Studies of BPS firms emphasise the

importance of face-to-face contact to exchange tacit knowledge (Britton *et al.*, 2004; Faulconbridge, 2006; Grabher, 2002b; Sassen, 2001b). The importance of relationships for trust and reciprocity is not in question. However, this research has found that small and large business organisations can service clients and work with partners at significant distances by using ICT.

- ICT has also loosened geographical ties (Beyers and Lindahl, 1996; Ekinsmyth, 1999; 2002) for all sizes of firms and, in particular, small business organisations. Sole proprietors and micro-firms can remain home-based and/or in non-standard spatial locations and still operate and service clients. The key factor influencing relocation by premises or site to an urban centre is the need to attract and retain staff.
- It cannot be assumed that a small firm is locally orientated and solely linked into local networks. Firms must be categorised according to criteria including the business owner's background, the firm's specialist service areas, their use of ICT and the networks that the agency is embedded within (Delmar and Davidsson, 2000; Henley, 2005; Ramsey and McCole, 2005; Southern and Tilley, 2000; Taylor and Thrift, 1982).
- Large and small business organisations operating within a sector are not homogenous and they do not operate in isolation but instead are heavily embedded in various forms. Consequently there are frequently asymmetric power relations between firms (Cowling and Sugden, 1987; 1998; Dicken and Thrift, 1992; Taylor, 2006). Small firms may offer niche and specialist services resulting in complex power dynamics built around trust and reciprocity (Bryson and Rusten, 2004). Large BPS firms may sometimes be out competed by smaller consultancies.

8.2 The individual decision-making process and firm formation

The firm formation process is heavily tied into the decision-making processes of the individual. Indeed, the motivation that leads an individual to establish their own business is usually in the form of a fundamental upheaval or a period of flux within their life. The primary instigator of this is the individual's employer. Thus, whilst a stable industry environment is important it is crucial that a sector is dynamic and there are opportunities for business organisations to change over time (Brixy and Grotz, 2007). These changes, such as takeovers and mergers or relocations upset the lifestyles and experiences of employees. Even so the path to firm formation is not short and a transition period, with some form of income, perhaps in the form of paid employment is a key element in the entrepreneurship process.

The unsettling of employees is often a catalyst for change and can result in the birth of new firms and the creation of new competition. Indeed, whilst the closure of some firms and the creation of new firms is good the widespread collapse of firms would decimate a regional industry, annihilating the sector, rather than creating a manageable vacuum which entrepreneurs may fill (Acs and Armington, 2004; Brixy and Grotz, 2007; Van Stel and Storey, 2004). Therefore, whilst a weak industrial sector is not advantageous for firm formation there needs to be a degree of instability (Acs and Armington, 2004).

As well as the stability of the industrial sector, the personal aspirations and socio-economic situation of the nascent entrepreneur must be taken into account (Fletcher, 2006; Henley, 2005; 2007). It is clear from this study that the decision to become self-employed is the culmination of a number of factors or critical incidents. Thus, the will and determination

of the individual must be considered as well as their personal attributes and characteristics, such as: education, previous experience and personal desires or motivations (Audretsch and Keilbach, 2004; Dollinger, 1995; Eckhardt and Shane, 2003; Lawton Smith *et al.*, 2005). Furthermore, their domestic situation is also important, for example whether they have children, are divorced or separated and the location of wider family members. Essentially, this highlights the need to appreciate the move to self-employment as a complex process which is taken with a great deal of thought and consideration (Henley, 2007). The final decision will be a combination of critical incidents coming together in a specific way both spatially and temporally. Thus, whilst the analysis of entrepreneurship using large data sets is useful it is unable to provide the necessary depth of analysis that is required reveal the complexity of the personal experience (Henley, 2007; Van Stel and Storey, 2004). The period before a firm is established needs to be examined to fully appreciate the factors which lead the individual to establish a firm. This is something which only a retrospective study can facilitate.

These processes, at the level of the individual and frequently their employer, represent elements which cumulatively are imperative for the ongoing growth and rejuvenation of the marketing and PR industries. Therefore, if firms are considered as evolutionary, and there is a lifecycle of businesses then this implies that the exit from employment and entry into self employment is a key aspect of the birth and growth of enterprises and the start of the process.

8.3 The role of the home in business formation and the life-cycle of firms

The movement to self employment in terms of start-up costs is significantly reduced by new enterprises operating from home. Home-based businesses have not previously been

identified and analysed in the context of BPS research. However, within the manufacturing literature the role of the home in establishing new businesses is well known and acknowledged. Even so, there are distinct differences between manufacturing and BPS firms in their organisation and production: for example, the low barriers to entry for most BPS industries in the form of space available for use as an office, a computer and a telephone. This places new BPS firms in a unique position because not only does the home represent a crucial founding premises for business organisations but also potentially the base for a long term business model. The key role of the home as a long term business model or a short term transition stage before moving to an office has been facilitated through researching the spatial and temporal dynamism of firms. Thus, the temporality of business organisations must appreciated rather than viewing them as static entities.

The importance of home in the firm formation process has been uncovered in studies of manufacturing firms (Fritsch *et al.*, 2006; Henley, 2005) and whilst proximity to home has been observed in studies of BPS it has not been examined in great depth (Beyers and Lindahl, 1996; Keeble and Nachum, 2002). Two conclusions can be drawn: firstly, the importance of the home for entrepreneurs establishing a business; and secondly, home-based businesses represent a crucial element in the life cycle of firms and the growth and evolution of this industrial sector. The home is a physical representation of the plurality of premises and flexibility of the production and delivery processes in modern business organisations exemplified in the marketing and PR industries (Dicken and Thrift, 1992; Taylor, 2006). There is evidence of clustering by some firms in country towns, as well as those in Birmingham and Solihull, indicating a tight-knit business community. Furthermore, as businesses grow and expand there is a need to be centrally located to enable employees to

commute to work with ease (Braunerhjelm and Borgman, 2004; Krugman, 1991; Wagner, 1994). Agencies which employ none or just a couple of employees are generally able to remain home-based and often transact business from a non-urban location.

Some of the older businesses in the study are PR based and could work with clients and suppliers using only postal services and fax machines concentrating on the writing and editing of copy. Indeed, this is how many were established but this research indicates that businesses undertaking more sophisticated processes are also able to be located at home, not least because of their use of ICT. As well as this these workers are servicing end-user clients and not just providing back-office functions to larger agencies. Back office functions or support services such as supplying extra capacity or working on non-client facing elements of projects is sometimes undertaken by some of the newly formed enterprises. However, as businesses evolve they usually begin to work with their own end user clients. There is not a distinct spatial or business organisational divide between agencies specialising in either front-office or back-office operations. Consequently, it is not possible to assume that a home-based business start-up is not going to expand and take on more employees or remain at home. On the contrary the home provides a transition stage for businesses that eventually move to an office base and employ more staff. What is clear is that home-based businesses are key parts of the business cycle that concerns the production of marketing and PR products.

8.4 The impact of information and communication technologies on the servicing of clients at a distance

The premises and spatial location of businesses is partly explained by the enabling qualities of ICT. Indeed, modern ICT communications provide benefits that impact heavily on the formation of new enterprises. Firstly, ICT is labour saving and enables workers to undertake more tasks themselves (Beyers, 2000; 2003); secondly, the internet and email allows agencies to communicate efficiently and cheaply at a distance and in real time with other business organisations (Beyers, 2000; 2003); thirdly, the low barriers to entry in terms of cost of equipment permit most sole proprietors to establish a business using ICT; fourthly, new enterprises are able to liaise, communicate and operate in conjunction with business partners located across the globe using email and broadband (Castells, 2000); fifthly, business organisations can communicate and interact with ease with clients and suppliers located at some distance, assuming the concomitant relationships are in place (Ramsey *et al.*, 2005), lastly; and crucially these technologies permit small business organisations to augment their corporate profile, enabling them to engage and build relationships with clients significantly larger, and mesh with all aspects of the client's functions.

Small agencies are extensively and intensively flexible, targeting specific client types and feeling confident in fulfilling their contracts due to the enabling ability of ICT. This flexibility has been demonstrated in a range of different ways by agencies and especially micro-firms. Some have physically moved their businesses to be near to their largest clients or may work some days at a client's office or specific site. On a daily basis agencies work long hours to complete client contracts and depending on the form of the contract, deal with client

problems at very short notice and during unsociable hours e.g. over the Christmas break. Thus, these small firms strive to become indispensable to their clients and integral to their business operation frequently moulding their business model to compliment their cleint's.

These benefits allow small business organisations to operate and function at a high business level and interact with ease (Beyers, 2003; Castells, 2000; 2001). Indeed, this provides evidence of the 'networked enterprise' which is embedded within complex sets of inter- and intra- business linkages (Castells, 2000). Relationships between firms are complex not least because the role of contacts and networks between individuals is crucial for the success of businesses and hence a greater degree of embeddedness (Grabher, 1993; Johannisson *et al.*, 2002; Oinas, 2006). Consequently, these knowledge based businesses rely on suitable workers and their location is frequently dictated by the need to attract and retain employees, emphasising the importance of the firms boundaries and not least with employees (Oinas, 2006). However, the role of these factors has been skewed and manipulated by the impact of ICT which has enabled communications and interactions across time and space to be increasingly stretched and modified. By categorising firms according to the location of their clients it has been possible to reveal the enabling role of ICT in supporting and connecting disparate individuals. It has also uncovered the ability of ICT to maintain affiliations and relationships between firms and individuals which, at the very least would no longer have offered a commercially viable option and at worst have broken down.

The stretching of networks and the broadening of embeddedness has meant that small businesses such as sole proprietors can successfully undertake contracts and project work which previously would have been beyond their operational reach. Some small businesses

specialise by industry and others by the marketing or PR services that they offer. Such agencies are able to work for clients both nationally and internationally and their relationships are conditioned by the use of ICT. Alongside this, some agencies are able to take advantage of global contacts and undertake collaborative work with affiliates to complete large client projects facilitated by ICT (Castells, 2000). Even so, relationships are still moderated by a number of factors including: the size of the project; the industrial sector the agency specialises in; the client's expectations; the strength of the relationship; the agency's policy and the projects budget.

There are complex power dynamics in client-supplier relationships (Cowling and Sugden, 1998; Dicken and Malmberg, 2001; Dicken and Thrift, 1992; Taylor, 2006). This study has begun to reveal the nature of these asymmetric relationships that exist between business organisations which differ by size and expertise. Both these factors influence the nature of a client or supplier relationship. For example, a large firm may have to find an alternative supplier if their preferred subcontractor is busy with another client. This study has uncovered some evidence of these complex relationships but this remains an area which requires more detailed analysis. This study has laid the foundation for further exploration of power in client-supplier relationships.

ICT enables distance to be overcome in two ways: firstly, by decreasing the requirement for face-to-face meetings, resulting in these interactions taking place at set stages within the lifetime of a project or agency-client relationship; secondly, the increasing efficiencies of production and delivery of services (Beyers, 2003; Ramsey *et al.*, 2005; Southern and Tilley, 2000). ICT permits different types of business interactions resulting in

flexibility and dynamism such that the categorising of business organisations cannot be undertaken according to their size or spatial distribution. Instead, the *modus operandi* and business model of firms must be explored revealing the experience and knowledge of the founders and employers, the type of business and the location of clients.

This information permits a more nuanced understanding and analysis. In light of this the segmentation model is useful in placing the temporal and spatial factors as key elements in the evolution of business organisations and consequently the movement of firms between organisational segments (Taylor and Thrift, 1982; 1983). However, continual advancements in ICT as well as the focus on manufacturing firms means the segmentation model requires modification to make it more representative of service firms. This research has found that the geographical commercial reach of businesses is difficult to define according to the segment in which they occupy. Not least because ICT has enabled, for example, sole proprietorships to execute tasks at considerable distance from clients.

The impact of ICT is clarified when the operating behaviours of the firms studies are viewed *vis-à-vis* the four UN modes of service trade (UN, 2002). The modes are important because they categorise suppliers according to the method in through which they deliver services. The modes are rigid and are not temporally or spatially flexible. They do not accommodate firms which use a range of methods to service client or firms whose methods of service delivery to a client alter of the course of a supplier-client relationship. This research proposes two new modes to take account of the dynamic business models used by these firms: firstly, a mixed mode service delivery and secondly a shift mode delivery of service. In doing so, these two new modes bring dynamism to the classification of service firms both

temporally and spatially. Furthermore this reveals the level and type of embeddedness between agencies and clients, between individuals and agencies and suppliers (Grabher, 1993; Johannisson *et al.*, 2002; Oinas, 2006). Thus, over time a supplier may move from delivering services face-to-face to using ICT, such movement is not revealed at the present time.

8.5 Marketing and public relations and business and professional services: an agenda for future research

The greater dependence of the marketing and PR industries on ICT technologies, which are heavily integrated into their business models and activities, suggests that these characteristics could be replicated across other BPS industries. The low equipment requirements in terms of ICT and the home offering a low cost start up base which may form a central part of the firm's long term business model are key aspects of these findins. Hence, it is likely that similar trends and patterns of business models, sizes and locations could be found amongst, for example, business consultants and other knowledge based business activities.

This research found some evidence of agencies working together to complete projects for clients. Interestingly, there was evidence of some working with contacts and agencies internationally and not just nationally or local. It would be useful to undertake more research into this: firstly, by sector so that comparisons could be made between different industries to uncover which were most likely to engage in this activity; secondly, to identify whether the use of ICT effects the likelihood of firms entering into coalitions and operating together to fulfil client projects.

It is clear that the home is an important place from which to establish a business but this research has shown that for some the home can provide the long term premises for businesses. If the room is available such businesses can employ more workers. Therefore the public policy implications of this require further research, not least as individuals are using large amounts of space within their home to accommodate their staff. Many of these businesses are likely to be working outside of present building regulations but evidently the home makes their businesses viable, research is required to explore this phenomenon to ensure that new businesses can continue to enter the market place from this direction.

There is some evidence that maternity leave and redundancy payments can provide the financial and temporal assets that the entrepreneur requires to properly execute their plans. Further research is required to explore these phenomena in greater detail. Few if any respondents mentioned the importance of government schemes or aid in facilitating their move to self employment. Hence, there may be a disconnect between government policy and the reality of business formation. Therefore, there is a need to explore the importance of government economic and social policy in accidentally aiding the establishment of new businesses. Linked to maternity leave is the importance of female entrepreneurship. This study has not specifically tackled female entrepreneurship although it was clear that there were significant numbers of females establishing enterprises, not least in PR. Of the 40 in-depth interviewees eleven were female entrepreneurs with five establishing businesses on their own and six while married. Even so, the evidence was limited and more research is required into the ease of which women are able to establish their own enterprises and the reasons for doing this.

This research has found that the location of businesses employing workers is heavily influenced by the ability to attract and retain labour. There is a need to couple this research with wider debates and studies into the labour market and in particular these issues within the West Midlands region as a whole.

This study has engaged with the segmentation model and the theoretical need to introduce temporal and spatial analysis to the understanding of the evolution of small marketing and PR BPS enterprises (Taylor and Thrift, 1982; 1983). It has uncovered the need to undertake a detailed examination of BPS firms which could facilitate the formation of a business segmentation model more appropriate for producer service firms in general. Indeed, this study has indicated that the present model does not sufficiently accommodate BPS enterprises, not least, because the spatial restrictions placed on different segments of business organisations. It is clear that some of the small business organisations usually have spheres of influence that are local and at best national (Taylor and Thrift, 1983). This research has suggested that most operate regionally and nationally and there is the potential for international reach. However, more studies must be undertaken into BPS SMEs and their ability to service clients at a distance to uncover the geographical trading reach of these firms.

Future work is required that explores entire BPS sectors, and in doing so includes all types and sizes of business organisation to examine the ways in which they interact and the linkages between them and their clients in the production of services. Subsequent research in BPS organisations should not discriminate between large and small businesses or neglect very small firms and omit sole proprietorships. Such studies may take the form of longitudinal data analysis of service firms within specific BPS industries. This is likely to reveal general trends

which may indicate either similarities or differences with the present study, specific nuances and sectoral differences can then be explored further using qualitative data.

This study has highlighted the importance of process in the analysis of SMEs and in particular enterprises established in BPS industries. By taking an entire sector approach the temporal and spatial processes and dynamisms which characterise contemporary service operations have been brought to the fore. The research suggests that these business organisations are founded by sole proprietors. Firms that grow and expand by employing more workers as well as servicing clients at considerable distances are enabled by the use of ICT but importantly this is facilitated or enabled by contacts and reputational capital.

APPENDICES

APPENDIX 1

LOCATION QUOTIENTS FOR POSTCODES IN THE WEST MIDLANDS GOR

The location quotient is used to measure business or employment concentrations for an industry within a specified area:

> "The share of sector x in postcode y with what would be expected from the share of sector x in the total population. A score of 1.0 or greater signifies over-representation and less than 1.0 indicates fewer firms than expected. Ideally, location quotients should be calculated using employment data rather than number of firms since two postcodes with ten firms appear similar but in reality one may comprise ten very large firms and the other ten single proprietor firms" (Daniels and Bryson, 2002b).

Postcodes with a small number of firms are likely to generate high location quotients (Table 1). This study has used data from the Annual Business Inquiry (ABI) to measure the concentration of businesses located within the West Midlands. The number of business units is used because it was necessary to identify the primary locations of firms within the region and to compare the results with findings from similar research. This was also a useful method of defining the study area and to choose the industries which would be explored in greater detail.

If the total numbers of business units for SIC 74.13 and 74.14 are less than 20 the exact figure has been suppressed (!) in accordance with ABI guidelines (Table 1). The majority of postcodes in the region have a score of less than 1.00. However, there are notable exceptions (Table 1).

Table 1 Location Quotients (LQ) for SIC codes 74.13 and 74.14 2004

Postcode district	Total business units for SIC 74.13 and 74.14	Total business units for each postcode	LQ for SIC 74.13	LQ for SIC 74.14	LQ for SIC 74.13 and 74.14
WS 1	!	1379	0.00	0.25	0.24
WS 2	!	1132	0.00	0.07	0.07
WS 3	!	978	0.00	0.25	0.24
WS 4	!	330	0.00	0.34	0.33
WS 5	!	347	0.85	0.32	0.33
WS 6	!	482	0.00	0.05	0.04
WS 7	!	860	0.00	0.39	0.38
WS 8	!	501	0.00	0.16	0.16
WS 9	38	1205	0.00	0.87	0.84
WS10	!	1259	0.00	0.14	0.13
WS11	!	1885	0.85	0.41	0.42
WS12	!	911	0.00	0.30	0.29
WS13	43	1138	0.85	0.96	0.95
WS14	55	827	0.00	1.25	1.22
WS15	47	1240	0.00	1.07	1.04
WV 1	22	1550	0.00	0.50	0.49
WV 2	!	910	0.00	0.30	0.29
WV 3	27	802	0.00	0.61	0.60
WV 4	!	756	0.85	0.41	0.42
WV 5	20	599	0.00	0.46	0.44
WV 6	46	1049	0.85	1.02	1.02
WV 7	!	220	0.00	0.18	0.18
WV 8	!	370	0.00	0.41	0.40
WV 9	!	155	0.00	0.07	0.07
WV10	24	1282	0.85	0.52	0.53
WV11	!	733	0.00	0.16	0.16
WV12	!	439	0.00	0.05	0.04
WV13	!	970	0.85	0.16	0.18
WV14	!	1134	0.00	0.27	0.27
WV15	!	403	0.00	0.32	0.31
WV16	37	819	0.00	0.84	0.82
HR 1	34	1409	0.85	0.75	0.75
HR 2	24	1120	1.69	0.50	0.53
HR 3	21	417	1.69	0.43	0.47
HR 4	34	1381	0.85	0.75	0.75
HR 5	!	257	0.85	0.09	0.11
HR 6	!	970	0.00	0.41	0.40
HR 7	!	310	0.00	0.34	0.33
HR 8	24	653	0.00	0.55	0.53
HR 9	66	996	0.00	1.50	1.46
WR 1	35	1376	0.00	0.80	0.78
WR 2	47	819	0.85	1.05	1.04
WR 3	41	634	0.00	0.93	0.91
WR 4	23	567	0.85	0.50	0.51
WR 5	38	832	0.00	0.87	0.84

WR 6	59	715	0.85	1.32	1.31
WR 7	!	262	0.85	0.36	0.38
WR 8	24	467	0.00	0.55	0.53
WR 9	59	1365	0.85	1.32	1.31
WR10	60	936	0.85	1.34	1.33
WR11	71	1755	0.00	1.62	1.57
WR12	!	340	0.00	0.39	0.38
WR13	28	379	0.85	0.61	0.62
WR14	70	1341	0.00	1.59	1.55
WR15	!	331	0.85	0.34	0.35
CV 1	42	1939	3.38	0.87	0.93
CV 2	!	1155	0.00	0.30	0.29
CV 3	59	1608	2.54	1.27	1.31
CV 4	37	936	1.69	0.80	0.82
CV 5	70	1294	2.54	1.53	1.55
CV 6	26	1812	0.85	0.57	0.58
CV 7	72	1311	0.85	1.62	1.60
CV 8	144	1642	3.38	3.19	3.19
CV 9	!	850	1.69	0.39	0.42
CV10	!	971	0.00	0.30	0.29
CV11	39	1680	0.00	0.89	0.86
CV12	!	715	1.69	0.27	0.31
CV13	22	430	0.00	0.50	0.49
CV21	42	1662	0.00	0.96	0.93
CV22	61	901	0.00	1.39	1.35
CV23	68	809	0.85	1.53	1.51
CV31	40	935	0.85	0.89	0.89
CV32	132	1940	7.61	2.80	2.93
CV33	27	269	0.00	0.61	0.60
CV34	90	1629	4.23	1.93	2.00
CV35	133	1326	2.54	2.96	2.95
CV36	45	436	2.54	0.96	1.00
CV37	162	2438	0.85	3.67	3.59
CV47	48	780	0.00	1.09	1.06
DY 1	!	944	0.00	0.27	0.27
DY 2	!	1056	0.00	0.14	0.13
DY 3	!	768	0.00	0.36	0.35
DY 4	!	989	0.00	0.20	0.20
DY 5	!	1721	0.00	0.27	0.27
DY 6	29	1092	0.00	0.66	0.64
DY 7	!	350	0.00	0.36	0.35
DY 8	51	1735	0.85	1.14	1.13
DY 9	40	1306	0.00	0.91	0.89
DY10	42	1478	1.69	0.91	0.93
DY11	34	969	0.85	0.75	0.75
DY12	26	494	0.85	0.57	0.58
DY13	!	823	0.00	0.34	0.33
DY14	21	382	0.00	0.48	0.47
SY 1	28	1483	0.85	0.61	0.62
SY 2	!	417	0.00	0.23	0.22
SY 3	43	933	3.38	0.89	0.95
SY 4	31	1060	0.00	0.71	0.69

SY 5	30	768	0.00	0.68	0.67
SY 6	!	303	0.85	0.34	0.35
SY 7	!	474	0.00	0.18	0.18
SY 8	20	884	0.00	0.46	0.44
SY 9	!	159	0.00	0.11	0.11
SY11	!	868	0.00	0.32	0.31
SY12	!	282	0.00	0.25	0.24
SY13	39	816	0.00	0.89	0.86
TF 1	21	1181	0.00	0.48	0.47
TF 2	!	898	1.69	0.39	0.42
TF 3	29	902	1.69	0.61	0.64
TF 4	!	399	0.00	0.23	0.22
TF 5	!	102	0.00	0.16	0.16
TF 6	!	230	0.85	0.25	0.27
TF 7	!	595	0.00	0.20	0.20
TF 8	!	213	0.00	0.30	0.29
TF 9	36	832	0.00	0.82	0.80
TF10	30	660	0.00	0.68	0.67
TF11	!	422	0.85	0.41	0.42
TF12	!	158	0.00	0.09	0.09
TF13	15	187	0.85	0.32	0.33
ST 1	15	1792	0.85	0.32	0.33
ST 2	!	489	0.00	0.07	0.07
ST 3	!	1303	0.85	0.30	0.31
ST 4	30	2116	0.00	0.68	0.67
ST 5	59	2430	0.85	1.32	1.31
ST 6	!	1793	0.00	0.41	0.40
ST 7	48	1331	0.85	1.07	1.06
ST 8	!	492	0.00	0.20	0.20
ST 9	!	349	0.00	0.27	0.27
ST10	29	946	0.85	0.64	0.64
ST11	!	291	0.00	0.23	0.22
ST12	!	110	0.00	0.02	0.02
ST13	!	1075	0.00	0.39	0.38
ST14	33	867	0.85	0.73	0.73
ST15	42	860	3.38	0.87	0.93
ST16	25	1401	0.85	0.55	0.55
ST17	45	899	0.00	1.02	1.00
ST18	41	800	0.00	0.93	0.91
ST19	34	604	0.00	0.77	0.75
ST20	21	229	0.00	0.48	0.47
ST21	26	316	0.00	0.59	0.58
DE13	70	1210	1.69	1.55	1.55
DE14	37	1668	0.85	0.82	0.82
DE15	!	519	0.00	0.39	0.38
B 1	46	1091	1.69	1.00	1.02
B 2	20	1052	0.00	0.46	0.44
B 3	38	1184	3.38	0.77	0.84
B 4	!	943	0.00	0.14	0.13
B 5	22	1249	0.85	0.48	0.49
B 6	!	938	0.85	0.25	0.27
B 7	!	703	1.69	0.30	0.33

B 8	!	677	0.00	0.11	0.11
B 9	!	763	1.69	0.25	0.29
B 10	!	422	0.85	0.05	0.07
B 11	!	1203	0.00	0.16	0.16
B 12	!	875	1.69	0.16	0.20
B 13	39	782	2.54	0.82	0.86
B 14	!	888	0.00	0.41	0.40
B 15	66	967	0.85	1.48	1.46
B 16	41	829	3.38	0.84	0.91
B 17	41	808	0.00	0.93	0.91
B 18	!	1127	0.85	0.36	0.38
B 19	!	743	0.00	0.18	0.18
B 20	!	492	0.85	0.14	0.16
B 21	!	602	0.00	0.14	0.13
B 22	0	0	0.00	0.00	0.00
B 23	!	857	0.00	0.27	0.27
B 24	22	814	0.85	0.48	0.49
B 25	!	382	0.85	0.07	0.09
B 26	!	814	0.00	0.32	0.31
B 27	!	599	0.00	0.25	0.24
B 28	24	829	0.85	0.52	0.53
B 29	!	682	0.85	0.30	0.31
B 30	!	848	0.00	0.36	0.35
B 31	!	870	0.00	0.30	0.29
B 32	21	542	0.00	0.48	0.47
B 33	!	731	0.85	0.18	0.20
B 34	0	175	0.00	0.00	0.00
B 35	!	177	0.00	0.02	0.02
B 36	!	517	0.00	0.16	0.16
B 37	!	752	0.85	0.39	0.40
B 38	!	351	0.00	0.18	0.18
B 40	!	40	0.00	0.02	0.02
B 42	!	520	0.85	0.16	0.18
B 43	!	499	0.85	0.20	0.22
B 44	!	693	0.85	0.16	0.18
B 45	32	762	0.85	0.71	0.71
B 46	28	803	0.00	0.64	0.62
B 47	!	334	0.00	0.30	0.29
B 48	!	288	0.00	0.34	0.33
B 49	33	595	0.85	0.73	0.73
B 50	25	315	0.00	0.57	0.55
B 60	65	1123	0.00	1.48	1.44
B 61	25	968	0.00	0.57	0.55
B 62	23	893	0.00	0.52	0.51
B 63	24	1175	0.00	0.55	0.53
B 64	!	863	0.00	0.18	0.18
B 65	!	600	0.00	0.18	0.18
B 66	!	1219	0.85	0.18	0.20
B 67	!	314	0.00	0.09	0.09
B 68	!	475	0.85	0.11	0.13
B 69	!	945	0.00	0.14	0.13
B 70	!	1498	0.85	0.25	0.27

B 71	!	428	0.00	0.07	0.07
B 72	31	792	0.00	0.71	0.69
B 73	28	763	0.00	0.64	0.62
B 74	96	1198	1.69	2.14	2.13
B 75	42	740	0.00	0.96	0.93
B 76	32	759	2.54	0.66	0.71
B 77	36	1325	0.00	0.82	0.80
B 78	29	900	0.00	0.66	0.64
B 79	34	1271	1.69	0.73	0.75
B 80	!	371	1.69	0.27	0.31
B 90	87	1613	2.54	1.91	1.93
B 91	128	1548	2.54	2.85	2.84
B 92	47	976	0.85	1.05	1.04
B 93	114	979	2.54	2.53	2.53
B 94	39	485	0.00	0.89	0.86
B 95	43	445	0.85	0.96	0.95
B 96	22	299	1.69	0.46	0.49
B 97	41	1282	0.85	0.91	0.91
B 98	43	1622	1.69	0.93	0.95
Total	6215	189984	137.77	137.77	137.77

Source: NOMIS (2004)

APPENDIX 2

TELEPHONE QUESTIONNAIRE SCHEDULE

INTERVIEW INTRODUCTION

Hello, sorry to bother you, my name's Stephen and I'm calling from the University of Birmingham. I am a postgraduate researching Marketing and Public Relations firms in the West Midlands and the production of these services within firms.

Is there someone I can speak to regarding this?

I am carrying out short questionnaires that take about 10 minutes. All responses will be treated in the strictest confidence. Individual firms will not be identified in my thesis without their permission.

Would you be willing to take part?

THE CONTACT

Preliminary information known from database/initial contact

1.1 Date/time

1.2 Name of Firm

1.3 Telephone number

1.4 Postcode

1.5 Male/Female

Before we start the survey I would like to take a few details about you as the respondent.

1.6 What is your position or title within the firm?

1.7 Which of the following age categories do you fit into?

18 – 24
25 – 34
35 – 44
45 – 54
55 – 64
65+

1.8 Do you have any of the following qualifications?

Undergraduate degree
Postgraduate degree
Professional qualification
Other please specify
None

THE FIRM

In this section I would like to explore the size of the firm and the services provided.

1 Which of the following best describes this organisation?

Locally owned firm with no affiliates/branches
Locally owned firm linked to a larger organisation
Affiliated firm of a larger organisation
Other (please specify)

2 Which of the following best describes this firm?

Partnership
Sole proprietorship (no employees apart from owner-manager)
Limited liability partnership
Public company
Private company

3 In which year was this firm established in the West Midlands?

4 What are the three principle services provided by this firm?

5 Including your self, how many contracted and employed fee earning staff do you have at present?

6 How many did you have 5 years ago?

7 How many do you think you will require in 5 years time?

8 How many freelance fee earning staff do you have at present?

9 How many did you have 5 years ago?

10 How many do you think you will require in 5 years time?

11 How many support staff do you have at present?

12 How many did you have 5 years ago?

13 How many do you think you will require in 5 years time?

14 Approximately what was the turnover for this establishment in the last financial year?

15 What percentage of the total turnover for this establishment in the last financial year was derived from clients located in?

West Midlands
London and the South East
Rest of the UK
World

16 Thinking of your three principal clients in terms of turnover in the last year, can you indicate what line of business they are in, and what percentage of your turnover they account for?

FIRMS PREMISES

In this section I would like you to think about the locations utilised by this firm for the production of its services.

17 Which of the following best describes the building you currently occupy?

Owner occupied office
Leased space
Home
Other, please specify

18 What were the primary motivations for choosing this location?

19 Of these which was the most important?

20 Has the firm always been located here?

Yes
No

21 (*If no*) where were you before, if more than one previous location, please list in order from earliest to most recent.

22 Does the firm use any other offices or premises?

Yes
No

If yes, where are these?

WORKING PRACTICES

Now I'd like to ask you about working practices and how they may have changed as new ways are used to produce and to deliver the services that this firm provides.

23 I notice that XX% (take figure for out side of UK from Q7) of your turnover comes from outside of the UK. To what extent does this proportion reflect the ease or difficulty of providing services at a distance?

24 What has made a difference to your working practices and business production over the past 10 years?

Tick any of the following that are mentioned.

Email
Digital camera
Internet research
Desktop publishing software
Networking meetings i.e. breakfast meetings
Computer technology advancement
Data Protection Act
Other

Elaborate further on answers or outline other factors making a difference to working practices and business production.

25 How have Information and Communication Technologies enabled this firm to provide services to clients outside the West Midlands region, either in the rest of the UK or beyond?

COLLABORATION AND CONTRACTING

Lastly, I'd like to ask you about other firms whose services you utilise as part of the production and functioning of your firm

26 What services, if any, do you subcontract for the purposes of delivering services to clients?

27 What are the reasons for subcontracting?

28 Where are these firms located?

29 Is work subcontracted to you by other firms?

Yes
No

30 Why is work subcontracted to you and by whom?

31 Where are these firms located?

32 Have you entered into a collaborative arrangement or alliance for the purposes of delivering services to clients?

Yes
No

33 Why do you collaborate and with whom?

34 Where are these firms located?

35 That is the end of the questionnaire, following analysis of the data collected should I wish to, would you be willing at a later date to take part in an interview to discuss further some of the issues raised in this survey?

Yes
No
(*If yes*)

36 Please may I have your email address?

37 and your name

APPENDIX 3

IN-DEPTH INTERVIEW SCHEDULE

BEFORE INTERVIEW

DATE

TIME

LOCATION OF INTERVIEW

NAME OF INTERVIEWEE

INTERVIEW INTRODUCTION

Before we start I would like to thank you for taking part and reiterate the following:

As you are aware the interview is being recorded.

All responses will be treated in the strictest confidence and individual firms will not be identified in my thesis without their permission.

The data collected through interviews, surveys, archival research etc will be kept safe from public scrutiny.

You will be provided with mine and my departments contact details in order to raise any concerns now or at any date in the future up to the point of thesis submission.

1. <u>Firstly, let's consider how you established your business</u>

- What does your business do?

  Specialisation; within industries serviced or within services provided

- Why was this firm established

- How was this firm established?

Acquisition of clients

Maintenance of client base

- How do you continue to expand and grow the business?

  Role of networking/referrals

- What locations has the firm been based at?

  House/office

  Reasons for choosing these locations

  Have the location decisions changed though the history of this business?

2. <u>I would like to turn now to the relationship with your clients</u>

- Can you talk me through a typical client relationship and the work you carry out for them?

  What is the structure of the initial meetings/conversations between you and the client?

  Is the work one off projects or more long term contracts with a retainer?

  Does distance influence your relationship and communication with clients?

  What is the frequency of meetings with clients and where do they take place?

  (Location of two clients) – To case study

- How do you maintain client relationships during and after contracts?

  Can you discuss where projects have gone wrong and why? Or where you have lost clients?

3. <u>Research has shown that collaboration between different firms is increasingly important for the delivery of a service or contract:</u>

- Do you subcontract to outside suppliers or specialists to deliver your services?

- Why do you engage in this activity?
- Can you tell me about the nature of your relationships with the outside suppliers of specialists?

  What is the nature of the contracts do you have with them?

  What is their role?

  How are they utilised within a project?

  (Location of two suppliers) case studies
- How do you maintain communication with the outside suppliers or specialists and how do you organise the work?
- Are you part of a network of associates?
- How was the network formed?
- How does the network function?

  Project teams?

  Collaborative work?
- What are the benefits derived from being part of a network?

4. <u>Given that information and communication technology (which I will refer to as ICT) is now pivotal to the work practices of most business, I want to briefly explore a few aspects</u>

- Has ICT affected the way that this firm conducts its business?
- In what ways have ICT had an effect on the way that the business functions?

  Role of ICT's in communicating with clients and the production of services.

  Has ICT modified the ways in which you interact with your clients?
- Which types of ICT have had the greatest impact?

How?

Why?

- Would you have been able to establish your business without access to ICT?

  If no, why?

  If yes, why?

5. <u>It is important for professional service firms to make available state-of-the-art knowledge and expertise as well as (in some cases) fulfilling the requirements of professional bodies/associations.</u>

- How do you maintain and nurture your Continuing Professional Development (CPD)?
- Do the professional institutions within M&PR aid or effect your business?

  Do they provide you with credibility?

- How do you maintain your ability to be innovative?
- Can you describe a project in which you have provided a significant creative impact?

  Where do you get your creative input?

6. <u>Lastly can we discuss work/home balance and your own background?</u>

- Can you outline how you balance home and family life with work and clients?

  Where does work impinge on home life?

  Do you have strict personal guidelines when work begins and home life ends?

- Can you briefly outline your career before you decided to establish this firm?

  Have you always been in M&PR?

  Details of your educational background?

  Previous firms worked for?

Were you located in the West Midlands?

APPENDIX 4

CASE STUDY 1

Michael runs a home-based marketing agency in Solihull with one employee. His turnover for 2006 was £300,000. Michael has a degree in Business Studies and specialised in Marketing (interview HO1-8, 20-07-2007). Before establishing his own business he had a career which was broadly concentrated in computer technologies and communications industries. He also worked for marketing agencies in London and following marriage decided to move from the capital and return to the West Midlands and start a family. With his extensive experience he continued to work in marketing in areas which he had specialised in, in particular, with multinational corporations.

Michael had over 15 years experience of corporate and company life. The in-depth interview with Michael revealed that the decision to establish his own business was the culmination of nine factors that came together in a particular way and time in his life. The nine factors will now be discussed below.

Michael's last employer was a large telecommunications multinational. This last role had led him to regularly travel around Europe. He had reached middle age and had begun to question his quality of life and work life balance:

> "I think classically I went through that midlife crisis of 'where's this going to?', I have another twenty years of, at that point I'd spent four years just literally flying around Europe full time and I'd got two small children, it's just like well what's the point to this then?" (interview HO1-8, 20-07-2007).

Alongside reaching a certain age Michael also wanted to be near to his home and family, and not travel so much with work. Thus lifestyle factors were important and both would influence Michael's decision to become self-employed.

At another point in the interview Michael summarised a typical working day and his ability to maintain a good work life balance:

> "I think I'm very good at … you know to sort of divide the two (home and work life), in that I will tend to have breakfast with the family, my wife goes off to work, kids go off to school and I walk in here and start work usually sort of eight thirty. If I'm here … I will have a lunch break and … the kids come home around quarter to five and my wife normally comes home about six o'clock … and 90 per cent of the time I will finish work and I will sort of close the door and leave it" (interview HO1-8, 20-07-2007).

Michael does not have the day-to-day office commute that he had before, and though he travels this is less frequent. He is able to spend more time with his family at key points in the day, for example meal times.

Alongside lifestyle choices he felt personally that he had reached a point which enabled him to consider establishing his own business:

> "I decided that if I could set something up, based from home using the experience that I'd gained over the previous 15 years … it was then I could have a sort of quality of life that was more appropriate to what I wanted to have but also that I could develop myself as well because I think working for a multinational you get so far you're always constrained by the politics of the companies … I always say to people when they say how is business … well if it's not fine then at least it's under my control to go and do something about it" (interview HO1-8, 20-07-2007).

There was a desire to be more independent and in charge of his own destiny. This need to control his own destiny manifested itself most profoundly through the actions of his last employers. They created a series of critical incidents which resulted in a tipping-point.

Michael went on to discuss the circumstances around the final decision process that led him to decide to go it alone:

> "I'd gone through one merger with the company we'd … settled down … and then it seems to go through, 'oh we've ignored what we did five years ago that went wrong, let's do it again!' and it's just like, God! No not again!" (interview HO1-8, 20-07-2007).

He had been working within the corporate environment for most of his working life and became disenchanted by changes in personnel and business restructuring which appeared cyclical. Initially he started to think about leaving and going it alone because of the amount of disruption within his employer's business. This was due to merger and acquisition and furthermore because of the personnel changes that ensued.

Michael was convinced that following the merger his company had recently gone through, there would be redundancies similar to those that had taken place following the previous mergers and acquisitions he had experienced. Despite incurring further uncertainty by becoming self-employed Michael was not willing to experience another period of disruption and upheaval. He therefore decided to plan his own future which included receiving a redundancy package and finishing off a project with his employer. Thus redundancy offered an exit from his employer, along with a financial cushion:

> "And at the time there was talk of redundancies, so I did actually think, right … I'll be proactive and went through and said if I did leave what would you give me, and they thought okay fine. I then negotiated with them … (and) … they gave me a new role for six months and we agreed that … (after) … six months if either party wasn't happy then I would take the redundancy. I worked for about six months to set up the business myself, I never had the intention of staying and I don't know whether they had any intention of keeping me … I managed to create a situation where I had a safety net of six month's plus a safety net of walking away with a redundancy package" (interview HO1-8, 20-07-2007).

Michael successfully orchestrated his own redundancy so that it incorporated a period of continued work for his last employer and a redundancy payment. This is an example of the threat of a redundancy leading an individual to pre-empt an adverse decision by his or her employer (Bryson *et al.*, 1997).

The tipping-point came at the last meeting with his employers. Michael put forward a proposal to them which included a new position followed by redundancy if either side was not content with the new role. In the meantime he was able to establish his own business. The proposal put forward by Michael enabled him to create his own tipping-point critical incident.

CASE STUDY 2

Nicholas established a media planning agency, a niche service within marketing and advertising which operates from central Birmingham. The media planner is responsible for aiding a client allocating their budget to achieve marketing and advertising aims. The role may also be extended to include analysing target audiences, maintaining an awareness of the latest developments in media, market trends, and appreciating consumer motivations. In 2006 the business's turnover was £6.5 million, with a total of six full time staff. Nicholas has a

degree in History and joined an advertising agency upon returning to the West Midlands after completing his degree. He stayed with that company for seven years before working for three other companies over six years in London and Oxfordshire before returning to the West Midlands and working for his last employer for two years. After this he decided to establish his own business.

The importance of recognising a culmination of critical incidents coming together at any time in the analysis of understanding why individuals decide to become self-employed is highlighted by Nicholas:

> "It was a combination of factors, I mean … it got to the stage where personally I'd been thinking about making the plunge or taking the plunge for a period of time and the company I was working for were taken over by another company and I felt well it's either do it now or don't do it and so it just felt the right time to do it" (interview NH1-21, 27-07-2008).

Nicolas had been toying with the idea of leaving his employer and setting up his own business for a while. When his employer started to 'unsettle' him he seriously considered starting his own business and reconsider re-planning his life.

Alongside this Nicholas had over 15 years of experience which he felt equipped him with enough knowledge to establish his own business. He was also able to identify a niche area within the full service agencies he had worked, with which his new business would focus on (Audretsch and Keilbach, 2007). He said that:

> "In the past I'd worked within this function and it had been contained within a larger advertising, full service (agency) … I got to the stage where I felt that I

> could offer a more efficient media service outside of the restrictions of a full service agency and offer a tailored service" (interview NH1-21, 27-07-2008).

The merger and acquisition that had taken place within the business of his last employer had not meant that Nicholas had been made redundant. Indeed he had been offered a new position. However, he chose to take redundancy. Once again one of the key reasons for this was an inherent need and desire to experience working for himself and to see if he could build and run his own business. As well as this, Nicholas had become despondent with the industry and in particular the 'full service agency' approach which he felt was not offering clients the best service. Instead businesses could buy in his new service and tie it in with their own marketing and advertising requirements.

The tipping-point which brought together all of the other factors or critical incidents was the offer of redundancy by his last employer out of the control of Nicholas.

CASE STUDY 3

Abigail moved to the West Midlands to study for her degree in French. She subsequently married and remained here. She runs her business from home and is a sole proprietor. In 2006 her turnover was £40,000. Before establishing her business she worked as a journalist for a range of different publications. As part of this she studied for a postgraduate course in journalism. She worked for two newspapers for eight years before becoming an editor, a job she did for four years. Abigail specialised in the property market whilst she was a journalist and continued to do this within her own business.

There were a range of factors that led to Abigail establishing a PR agency. Her business was established in two stages. The first stage commenced whilst she was employed as a journalist for her final employer, a newspaper, when she became pregnant with her first child. She was not keen to continue in journalism and arranged to return to work for two days a week after maternity leave:

> "I had the luxury of being on maternity leave from my newspaper job, which meant that if everything went disastrously wrong, if I hadn't sort of figured everything within six months, I could go back to my job" (interview HO3-12, 26-06-2007).

Whilst on maternity leave she used the opportunity to gain more clients to fill the remaining three days a week.

Abigail considered her role as a journalist and was growing increasingly disillusioned with the profession. Her dislike manifested itself as the next critical incident as she decided to leave journalism:

> "A lot of journalism … I thought … was amoral or immoral, and I think, the point at which my editor asked me to go and doorstep the parents of somebody whose son had died by choking to death on his own vomit after drinking three bottles of vodka … (was when) … I thought I really don't actually want to do this job" (interview HO3-12, 26-06-2007).

Abigail disliked some aspects of journalism though she did enjoy writing and talking to people. Fortunately she was equipped with skills that were transferable to a new career within marketing and PR.

Considerable thought and research into the skills required for a career in marketing and PR meant Abigail was able to make a successful transition:

> "I like the writing bit of it, I like talking to people, I like generally dealing with the press. I don't deal with tabloids but you know with the very nice press. I like all that side, I like things which are generally helpful, I mean property may not be helpful but it's not actually hurting anyone" (interview HO3-12, 26-06-2007).

This critical incident became apparent to Abigail following her desire to establish her own business. Of course, many individuals have these skills, therefore it was the next critical incident that aided her decision to become self-employed.

Abigail's wish to be her own boss was shared by many respondents in the in-depth interviews. This was indicated in her dislike of some of the tasks she was required to undertake as a journalist:

> "I wanted to use those skills, but in an area where I felt comfortable and I also wanted to have control really, in that when you work for somebody else they tell you what to do … they pay you a salary and if you work hard then you get the same salary and if you don't work hard you get the same salary where as this time … if I work hard I'll get paid and if not I won't get paid but I know it's all down to me" (interview HO3-12, 26-06-2007).

Thus journalism provided her with excellent skills but was in many ways against her own moral values. As a journalist and a newspaper editor she had regularly received press releases from PR agencies and was therefore aware of what is suitable for use in a newspaper and publications (interview HO3-12, 26-06-2007). Thus, part of her confidence in establishing a PR business was because she was aware of exactly what editors required and looked for. This

critical incident only became a factor in Abigail's decision to become self-employed after other critical incidents had occurred. Many press releases try to advertise the company's product rather than being real stories about product development of things taking place within the firm. Being aware of this, Abigail felt well-placed to create press releases that newspapers would actually use because of her considerable understanding of newspapers.

Abigail continued to work for the newspaper and as a freelancer for two days a week. Through a family friend, a director of a PR agency, she also started to work as a freelancer for him. He had offered her freelance work in the past if she ever decided to leave journalism.

The second stage of her move to self-employment came after the birth of Abigail's second child two years later. Thus pregnancy and then maternity leave were critical incidents for a second time. She gave up the newspaper work and decided to concentrate on the freelance PR work alone. Unexpectedly, this latter work also came to an end but by that time she had gained enough experience and contacts to build her own client base. She was able to command greater fees when she took on her own clients, but the work as a freelancer for a large PR agency had equipped her with extensive experience of multinational clients.

Abigail had used her maternity leave as an opportunity to establish her own business. It allowed her to work more flexible hours which was crucial whilst coping with bringing up a young family. Thus, it was the first tipping-point critical incident into self employment. The importance of fitting work around domestic demands increased when she later divorced. It is clear that some of her desires for self-employment did not come to the fore until her

pregnancy and subsequent maternity leave acted as the second tipping-point for all of the other critical incidents.

CASE STUDY 4

Rachel established her PR agency in partnership with another woman. They have four permanent staff and in 2006 had a turnover of approximately £250,000. Rachel studied Politics and Russian studies within an Economics degree and then worked for an in-house consultancy for two years following the completion of her degree (interview NH4-10, 15-06-07). After that she worked for a large PR agency in central Birmingham for nine years, eventually becoming the managing director. There were a range of critical incidents that influenced Rachel in her decision to establish her own PR agency.

On a personal level, Rachel became pregnant and was on maternity leave. During this time she had time to think about what direction her life was heading, her age, what she had achieved and what she wanted to achieve in the future. These turned out to be the critical incidents which led the respondent into deciding that this was the time to leave behind her employee status. She noted:

> "I was on maternity leave, and thought my God there's more to life than this! And … basically didn't want to hit 40 and then look back and think wish I'd done something else … so it was almost out of a need for self preservation that the company was set up and then when looking at yes we need to do something ourselves, we actually then looked at the market place and thought there's a gap in the market place here, this is what we need to do, this is what we need to offer" (interview NH4-10, 15-06-07).

This is interesting on one level as some of the critical incidents previously identified been obvious, for example maternity leave and age. Here, the need to do something different occurred during maternity leave rather than before. Whilst on maternity leave her friend and later business partner's own contract with an in-house agency ended. It was from this that the idea was formed to establish a business. But these critical incidents were not enough on their own. Therefore they 'created or searched' for a sound business reason, and they realised a gap in the market which they wanted to fill.

Rachel had not at that point reached her 40th birthday and she was already the managing director of a large PR consultancy. We can infer from this a strong will and determination to succeed. At that point in her life the only challenge left may have appeared to be self employment and establishing her own agency. Unlike some of the previous respondents Rachel did not discuss a yearning to establish her own business, perhaps because she was too involved in her previous employment and required 'time out' in the form of maternity-leave to reflect on her life to that point. Once again it appears that the tipping-point, maternity leave, brought to the fore a range of critical incidents that included age, desire for self-employment, accumulated knowledge and identification of a gap in the market place.

APPENDIX 5

CASE STUDY 1

Two respondents decided to lease desk space at another PR agency. One respondent was based at home in Moseley (company A) and the other at home in Solihull (company B). Company B decided to rent a space, with a fellow professional (company C), which they could use on an *ad hoc* basis. They hoped to provide themselves with an environment in which they could interact with like-minded professionals, as well as an alternative to working at home. Just before they moved into the new premises company C made a decision to become an employer. Company B noted:

> "Originally (company C) and I (company B), decided we would take some premises, and we'd find other freelancers to come and share with us … I think it was almost before we'd even signed the lease on this place … (company C) said you know I'm (going to) take the plunge, I've decided to … take somebody on" (interview HO1-34 01-11-07).

Despite this, company B was still able to rent a desk at the new premises. Company C, sub-letting the desk space may have considered this useful for two reasons: the extra income which helps to pay the rent and the creation of an atmosphere conducive to a busy agency.

Since then company C has flourished but company B continues to rent a desk. Company C sub-lets four desks to four sole proprietors of company B. Company B noted:

> "There (are) four of us that are … freelance, working independently and we rent space now from (company C)… I've got what I wanted out of it as well. I've got these people as sort of colleagues but there are four of us that are freelance" (interview HO1-34 01-11-07).

For those home-based, they have gained interaction with other professionals in the same industry and in a space they can use when they want, but are not required to work in daily. This is fulfilling a need to work with others, but on the freelance consultant's own terms.

Companies A and B therefore split their time between being home-based and office-based. For those who have taken advantage of the opportunity to rent office space with other freelance PR consultants, this has been a period of transition and growth. These respondents view this situation as an ideal way to utilise the benefits of being at home and in an office. Company B noted:

> "It's nice to have somewhere to come, it's nice to have people to bounce ideas off, it's nice to have this environment away from home, but sometimes I do find if I've got something that I really need to concentrate on and think about I still like being at home on my own, sometimes I do that and so I've got my office still set up at home and I go between the two which is for me sort of an ideal arrangement" (interview HO1-34 01-11-07).

Here, space is being divided into places for certain activities with different activities taking place in particular environments. Parallels can be drawn with research into the structure and development of office space over time, and the phenomenon of 'hot-desking' (Baldry, 1997; 1999; McGuirk and O'Neill, 2002; Sullivan, 2003).

Company A, also taking advantage of this arrangement, appreciated the choice to use a range of places for different activities, something which can be inferred because respondents are not in an office all the time. Visiting clients seemed a regular activity and therefore the office, located in central Birmingham, served to provide them with credibility more than

anything else. Furthermore, they have always worked in central Birmingham and this is something they enjoyed. Company A noted:

> "Over four years there was never more than a couple of days when I might be working just in the office at home… but the office arrangement now is fine, because … it's sharing with a PR company but you can see there's plenty of space, there's nice views out the window, there's people to sort of react with, close to the city centre and some days I'm in here, and maybe here for four or five days … other days I might only be in one or two days a week" (interview HO1-32 01-11-07).

Despite not employing more staff, the provision of space for freelance consultants has enabled engagement in the benefits of an office environment. Other research into self-employed, home-based individuals reveals that work can permeate every part of home life and family can become unpaid employees (Baines and Robson, 2001). The detriment to home life and relationships is a strong reason to seek alternative working arrangements, such as other premises.

CASE STUDY 2

This respondent is one of two that have moved to two sets of offices. This respondent's firm initially moved to managed offices in Vale Park near Evesham; they were easily accessible, reasonably priced and provided the extra space the business required to expand (interview NH4-18 01-10-07). They subsequently moved to other offices on a small industrial estate to the north of Bideford-on-Avon for the following reason:

> "It's a rural location, you can see Ragley Hall … there's a mile and half walk without touching the road within the grounds of the estate, the rents low, the

> landlady's fantastic. We've got plenty of space, we've got air conditioning, we've got eight meg broadband, we've got 25 car parking spaces … I've got 12 staff, what's not to like?" (interview NH4-18 01-10-07).

Environment was important, and for this Internet based marketing business, the provision of large broadband width meant that a rural location was still a suitable option. Previous premises did not meet all of the criteria that the owner ultimately wanted. Expansion and consolidation of the business permitted new premises to be sought and eventually aesthetic demands can rank alongside business requirements.

When asked why other locations were rejected, lifestyle and personal needs were important. Subjective factors were balanced against purely financial and business based criteria. For example:

> "Why would I want an office in central Birmingham? … I can see all the advantages of the environment over here, it's nice and clean air I know everyone around me, it's easy to commute. The traffic jams I come across are due to deer on the roads and it's twelve minutes from home and it's a very very nice lifestyle" (interview NH4-18 01-10-07).

This firm, and in particular the owner, completely rejected an urban location in favour of a rural setting more akin to their lifestyle requirements. However, the respondent went on to note that he was 12 minutes from Evesham and Stratford-on-Avon railway stations, so whilst seemingly rural it is within easy reach of key communication links. Despite these positives, there was one drawback:

> "There is one thing that would be useful … to have a larger base of potential staff so a larger catchment area for recruiting … That can be a little difficult

> but I've got a great team of people … but it's a little bit harder to get them. Some of them have to travel very, very far away but … I've got a very talented team here, very talented" (interview NH4-18 01-10-07).

CASE STUDY 3

This firm was established by a husband and wife team at home. This firm has occupied a range of locations within Warwickshire near to, and including, Leamington Spa. They have gone on to employ seven people, with a turnover in excess of £1 million.

> "It started out in a home office, and moved to a rented office in Leamington, back to a home office and now to another home-office but in a different location. I think economically it's better … to have the office at home because there's only a few employees" (interview HO4-25 26-06-07).

Here cost has been the primary factor in the reason to locate the business at home. Initially, because they intended to increase sales and therefore employ more staff it was assumed that it would be necessary to move to an office. Subsequently this was reconsidered, and a house was purchased. The basement was refurbished to accommodate the business and employees.

Although there is ample provision of office space, it is important to note the form of the business-client relationship and the benefits that can be drawn from this. Clients rarely, if ever, visit the business's home-based office, and this negates the need to provide extra room for such meetings. Instead:

> "We usually go to them or meet them halfway, for example with (national supermarket chain) we're working on their new store developments, so the

> meetings are not always in their office or ours they're usually at the location of the development" (interview HO4-25 26-06-07).

This business has found that a home with appropriate space, which can be designed to allow domestic and work space to remain separate but within the same building, is a suitable option. Not all businesses have this luxury, but profitability can be maximised and overheads kept to a minimum, ensuring competitiveness is maintained. Home-based businesses employing over two or three people are not the norm but their existence cannot be denied.

CASE STUDY 4

This firm was originally founded in 1976 and at that time was home-based where it grew and expanded to include a range of marketing functions:

> "I … grew the company over the next seven, eight years, (and) I did at one stage have a team of eight people, so … I'd rented larger accommodation. I was always conscious of the amount of money that it cost to rent accommodation and pay staff for that matter which is one of the contributing factors when I … split the company … I went back to working in a home office situation" (interview HO2-5 17-07-07).

By rescaling this business, it became possible to return back to the home, employing fewer staff and consequently cutting overheads considerably. This also reduced the amount of administration required and the proprietor was able to concentrate on the delivery of marketing services. Now flexibility in terms of location, the type and nature of business-client relationships was incorporated into the business's functions.

Currently the business is based in Shipston-on-Stour. However, since 1984, the business has regularly relocated to be near the largest and most important clients. The business has previously moved to Newton Abbot (Devon), Yemen and Qatar (Middle East), with the latter being both two year projects. Despite this, being able to maintain other clients was crucial when deciding to take on these projects:

> "I had a short spell overseas, working on a couple of big projects, I worked for UNESCO on a project basis but I was still able to keep my own business going such is the world of the Internet, and did two very large jobs … I was still doing stuff even though I was living in the Middle East, I was still servicing clients in the UK" (interview HO2-5 17-07-07).

This business is 'footloose', which has been partly facilitated by ICT; but constantly relocating has placed constraints on the type of business this individual is able to operate. The business's current location in Shipston-on-Stour has been influenced by personal reasons, not least a desire to return to the region from which the respondent originates (HO2-5 17-07-07). The respondent continues to work as a freelance marketing consultant and focuses on clients situated in the local area though this does not deter him from taking on clients from farther a field.

CASE STUDY 5

This business was founded by three partners in central Birmingham. The location decisions for this group of partners have been dictated by a need to provide the company with suitable accommodation, as well as themselves with a pension fund facilitated through the eventual purchase of their offices:

> "We started off in short term licensed accommodation in the Jewellery Quarter in Birmingham … one of those things run by the Midlands Industrial Agency … It was a monthly licence so if everything went wrong … there were no long term liabilities or commitments" (interview NH1-17 08-08-07).

The business was subsequently forced out of that building due to an arson attack in another part of it. It had been trading for long enough to achieve success and the partners decided to move to more commercial premises on a longer lease. At this stage the business remained in central Birmingham, eventually investing in premises in the Jewellery Quarter. This location choice was dictated by required amenities and facilities and a specialised supplier base.

In 1998 the partners re-evaluated the reasoning behind their location in central Birmingham and decided to move closer to their homes in Warwickshire:

> "In late 1998 we made a conscious decision to move out of Birmingham because we no longer needed to be near a supplier base because obviously Apple MACS had reduced your dependency on all sorts of proximity to suppliers which means you didn't … need to be near them, our clients had always been scattered around anyway … and we weren't a Birmingham centric business as regards clients" (interview NH1-17 08-08-07).

Changes in production processes meant that this firm, utilising external skills associated with the creation of various advertising media was 'freed' from these ties following technological advancements. This move and subsequent moves that may be considered will be based on the ability to retain key employees. The business has a ten year lease on its present site in

Leamington Spa which is due to expire in 2009. [32] In relation to what happens after that the respondent noted:

> "It'll be based on accessibility of key staff … we have people who get the train in from Birmingham … they moved with use when we moved from Birmingham to Leamington … we only lost admin staff. We didn't lose key specialists, advertising skills. We lost admin people and that's not a problem because there are plenty in Leamington … so any relocation decision would be on portability of key staff with key specialist skills" (interview NH1-17 08-08-07).

This demonstrates the range of factors that a business must consider when relocating and the way in which this changes over time, in particular the importance of ensuring staff are able to commute to work. Technological advancements have facilitated a degree of relocation previously not possible; proximity to clients is not a major concern, although the ability of employees to travel to premises certainly is (Table 6.4).

CASE STUDY 6

This agency was established by a partnership comprising of one silent partner who provided some finance and start-up premises. This was the only business to mention the move to a partnership in conjunction with a decision to move into offices:

[32] There were only two respondents who discussed the lease on the businesses premises in any detail. Both businesses may have to consider new premises when the lease expires but this had not been discussed as a reason for relocating at this point.

> "When we were there, we were actually sister companies with an advertising agency … We were partnered with an agency … there was an agency that supported (us) and one of the owners of the agency had some shares in (us) … and then we moved here about four years ago when … there was a management buyout … and the few shares that the owner of the ad agency held were … bought back" (interview NH1-16 16-08-07).

In 2003 the advertising agency was sold and as part of that, the building they occupied was sold as well. The respondent's agency also used this building and thus it was necessary for them to move also. The PR agency had grown considerably and so it was a good time to move into more appropriate premises.

> "We were looking for an office that wasn't too much disruption to staff. So people didn't have to travel too much further and literally there was a big circle drawn, (on a map surrounding the St Paul's Square offices)" (interview NH1-16 16-08-07).

Notably, one of the main considerations was to cause as little disruption to staff as possible and a lengthy consultation process took place with staff in order to minimise the impact on them.

A large map was used to plot the locations of all staff and a location was decided upon according to the ease of commute to potential sites (interview NH1-16 16-08-07). Obviously the new building had to fulfil other needs and requirements such as a professional image, more space and various amenities and facilities. The directors became aware of an office within the vicinity of Five Ways, near Birmingham city centre:

> "The directors that were sorting out the move came and had a look at it … we could do what we wanted with it you can knock down the walls put in

> partitions and that was pretty much what was done for (us) to move in here .. and parking as well, the fact that it had 16 car parking spaces it was a big consideration especially when you look at the places like the Fort where for the square footage that we would need … they'd give you about eight spaces … our staff are quite lucky (because) they can park in the morning and they don't have to pay extra" (interview NH1-16 16-08-07).

Maintaining employee satisfaction and the smooth production of services are clearly important drivers. Once again the lines between selecting the location and the premises blur, as a need for access by employees is combined with a requirement for a particular type of premises. Providing parking spaces was an added bonus for this business, particularly when comparing their large converted Victorian townhouse to modern purpose-built office space with more specific parking space allocations. There also appears to be a trade-off between choosing premises that are aesthetically pleasing with the need to facilitate an easy commute to and from work. For example the previous respondent noted that a move to Bromsgrove was considered, but this was purely because a former director resided there.

APPENDIX 6

CASE STUDY 1

An office-based agency located in Leamington Spa (interview NH1-39 03-10-07)

The agency in context

This agency had a turnover of approximately £230,000 in 2007, 70 per cent of which is derived from clients located within the West Midlands. The remaining 30 per cent is split between London and the South East and the rest of the UK. Just three clients account for 70 per cent of the turnover and there is an almost equal share between these clients, being 25, 25 and 20 per cent and the clients are in retail businesses.

The agency was originally established as a branch office of a larger agency based in Newcastle where the owner had previously lived and worked. However, difficulties quickly arose when the branch was established in 1990 because the head office required that much of the work generated was referred to it for final authorisation:

> "When you're not involved in the creative day-to-day you nip into the office, look over the creative guys or girls shoulder and you … ahh… no this that and the other. When you're not geographically able to do that, don't forget this was 1990 so the electronic age wasn't fully blown then, they weren't fully as you do now, back down the line, prove it on screen and away you go. So it was very slow … way of business … [and] …you were slightly held back all the time by the very nature of the business you were doing" (interview NH1-39 03-10-07).

After moving to the West Midlands the former owners decided to sell this branch of the business and the present owner. At that time the manager of the branch office purchased it from his previous employer.

Client locations

When first established in the region the main emphasis was on gaining locally based clients. Alongside retail clients there are projects for Birmingham City Council and Coventry City Council. Referrals have been found to be very important and have led to work for different departments within the City Councils: "referrals are the best you get because obviously somebody's saying this guy does a good job for us" (interview NH1-39 03-10-07). The combination of referrals and undertaking a large amount of work for local government may diminish the likelihood of gaining distance clients because referrals tend to be limited to intra-departmental recommendations and as such are located in the local area. Even so, this agency's second largest client is located in Brighton and Hove, but this was a contact worked with long before he moved to the West Midlands.

The client base has been developed by the present owner and the largest of these is the general manager of the UK operation of a Japanese golf equipment and accessories manufacturer for whom the firm has been working as their marketing agency since 1990. They have a warehouse located near to Birmingham International Airport but the general manager mainly works from his home in Market Drayton. The respondent meets fairly frequently with this client, largely because he is located near and because of the nature of the

work being undertaken. For example, they meet when the agency is organising a sales conference at which the client is in attendance:

> "[The] client is very much more, off the cuff almost, should I say abuses the facility of the service, … all our meetings are contact reporting, I have more meetings with him, simply because his warehouse is in Leamington so I see a lot more of him, normally he'd be around the UK, and Ireland which is his market area" (interview NH1-39 03-10-07).

However, this level of face-to-face meetings is unusual compared to the majority of this agency's clients. The respondent noted that in previous years they had visited clients far more frequently than they do at present.

Working with clients and the use of ICT

Whilst the telephone has always been an important form of contact, email has had a profound effect on the way this business interacts with clients:

> "Emails in many ways, [are] very good [because] you have a record somebody has said or what you've replied to, but most of it, I mean my phone bill must be cut down drastically now to what it used to be … Probably two thirds email to a third of telephone conversation … as opposed to a meeting … I just don't" (interview NH1-39 03-10-07).

The respondent indicated that as new projects are acquired by the agency these are received over the phone or *via* email and their website. This is because most of the existing clients' projects are similar to previous work coupled with the fact that the respondent has a very close working relationship with the majority of clients and on a couple of occasions noted

that: “most of them seem to work almost as if we are an add on to their business when you’ve got such an understanding” (interview NH1-39 03-10-07). Although, such a situation is developed over time, the respondent still stressed that with a new client it would be necessary to have a face-to-face meeting and from this to produce a proposal outlining the details of any new project and in this way they would demonstrate their understanding of the new client’s requirements.

The marketing outputs provided by this agency are the same as before the introduction of ICT, but ICT has enabled the agency to provide a more efficient and faster medium through which to work with clients. This is because all work is completed electronically then alterations to copy or other graphical work can be made immediately and returned *via* email instantaneously. This has meant less time is spent visiting clients and work is produced and finalised in much less time. Although this is only up to a point, final versions of hard print and other products, for example, are checked either by a face-to-face visit or after being delivered because colours can be distorted on screen. This change in orientation led the respondent to note:

> “From my point of view I could … operate from home the way I am now. There’s not doubt about it because … the only draw back would be the filing systems I have and the amount of paper work I keep in the office but otherwise yes it can just be done down the line” (interview NH1-39 03-10-07).

Work produced by outside suppliers is emailed to the agency and this can then be forwarded to the client. In this situation, the client rarely needs to leave the office or have clients visit him.

In summary, the bulk of this agency's business is derived from the home region, however, there is at least one large client located in the South East. New clients and existing clients have been nurtured via personal contact and referrals. Therefore, it is not surprising that most clients are located in the region. The exception is a long-term client and the proprietor has worked with them since before the agency was established in the West Midlands. This agency, however, does not actively seek clients outside its home region. The non-local client can be completely maintained over the Internet with almost no face-to-face meetings. The work is mainly the construction of advertisements for the press or targeted mailings and because the respondent knows the business so well they do not need to visit the client. ICT has increased efficiencies and saved time and money on travelling to clients, though not removed this completely. Furthermore, although the agency has recently started to use a designer based in Newcastle (a previous contact), the five main external suppliers are located in the same building as the firm. Although separate to his business over time, a group of similar businesses have agglomerated together and undertake work for each other to complete client contracts.

This locally orientated business has concentrated on local networking, with a local reputation and personal contacts providing the majority of clients. Even so, residual non-local business is supplied from long-term contacts which can continue to be serviced by ICT. Essentially the agency has a predominantly local perspective, deriving the majority of its work from a local supply, with service delivery being facilitated by ICT. The next case study focuses on an agency which derives its turnover from mainly non-local clients.

CASE STUDY 2

A home-based marketing consultant located in a village near Redditch (interview HO1-8 20-07-07)

The agency in context

This agency has a turnover of £300,000 and all of this is derived from beyond the region: 30 per cent from London and the South East and 70 per cent from the rest of the UK. The three main clients account for 40, 25 and 15 per cent of turnover respectively. The agency is administered as a partnership. The respondent partner is in the West Midlands and the other partner, Susan, is located at home in Berkhamsted, Buckinghamshire, to the north west of London. They have considered sub-letting an office but they rarely experience clients coming to visit them and if they do visit they hire a meeting room in a hotel. Although not directly influenced by ICT, this business model is underpinned by advancements in communications.

After establishing the business, the founders made a conscious decision to target large organisations rather than SMEs. Experience had shown that:

> "A lot of SMEs own the business themselves so when they are … handing over money they are handing over their money so I find them extremely demanding as clients … I've always taken the view of … go after large organisations and then if … we've got some … of course large companies like dealing with organisations that deal with large companies" (interview HO1-8 20-07-07).

This has a profound effect on the way the business functions and operates via ICT. The first client was acquired following a presentation in Rome but subsequent clients have been obtained through referrals and contacts developed through previous clients or the reputation of the agency within the field of customer management.

Client locations

Although they do not have clients in their home region and they do not actively seek clients beyond the UK, delivering work abroad for clients based in the UK is not a problem. Even so, the expectations of the client will determine whether they choose an agency close by or far away, and this will be heavily dependent on the number of face-to-face meetings required.

There are key moments during a project when the agency and client must meet face-to-face. Typically they occur at the initial briefing, after a new project has been won, then again when results are presented or a workshop is convened, although this will depend on the size of the project. The size of the project determines the number of meetings that occur during a project's lifetime. For example these could be timed around:

> "Signing off questionnaires or could be looking at some support for customers but usually … that's done by email and to be honest it's the size of the customer that will determine whether we meet face-to-face" (interview HO1-8 20-07-07).

Because physical meetings tend to occur at key points in the project, clients can be located at greater distances. The size of the client account is crucial in determining the amount of face-

to-face contact required, demanded or expected. The respondent went on to say that with their largest client:

> "We wouldn't hesitate in doing a face-to-face with them and in fact we actively try to sort of encourage face-to-face so we can maintain the relationship. Whereas with small clients we would very much, we can do this over the phone because clearly it's … down to the hearty question of geography" (interview HO1-8 20-07-07).

The largest client is located between two sites, one in Worcestershire near to the M5 and another in Hampshire adjacent to the M3. Thus, both sites are physically close to this respondent in Redditch and the partner based in Berkhamsted. They also have a large client based in Swindon, Wiltshire. Both clients are within relatively easy commuting distance, however, they frequently require workshops or projects to be conducted overseas.

Working with clients and the impact of ICT

This agency considers ICT to be essential for internal business operation, not least because the business does not employ any support staff. The respondent emphasised the importance of ICT in order for the business to function on a daily basis and maintain day-to-day contact with the business partner:

> "We couldn't deliver what we deliver without ICT, we couldn't be based where we're based … we just couldn't have the business structures. I will spend probably on average two hours a day on the phone or email to Susan and without that, if we were dependent upon post to communicate we couldn't do it, like this document I'm producing at the moment. Later on this morning I'll send it to Susan and I'll say, have a read through this, tell me what you think, and then later on this afternoon it will go off to the client. We couldn't do that without ICT I wouldn't be able to keep in touch with clients so easily

> without ICT, yes OK, I could phone them but actually an awful lot of it is being able to get hold of them at the right time for them, so that might be phone but more likely its going to be email or occasionally I will send a text message" (interview HO1-8 20-07-07).

Not least because the business is operated on a split site, ICT is also considered as the only way to effectively communicate with clients. Email was cited as the aspect of ICT that made the biggest impact because it allows written and real time communication, along with the facility to send documents as part of the production and then to deliver finished products to clients. ICT is also used to present to clients using a conference call and for online PowerPoint presentations.

This agency also places a great deal of importance on its website, particularly as part of the process of selling themselves to new clients. They purposely use their website to make themselves appear bigger than they really are. This is mainly facilitated by listing associates, based around the world, which the agency trusts and is willing to subcontract work to. For example, they recently undertook a global project for a UK based Communications Company. This agency conducted the European element of the contract and the North American, South American and Asian regions were given to global associates to administer and deliver:

> "They are on our website and they are deliberately positioned as if it was a contractual relationship between us but it is purely a case of I have got this project and I need a helping hand can you help me on this, and I know you, kind of thing" (interview HO1-8 20-07-07).

There are approximately eight businesses that are linked. The majority are in North America but they are also in Brazil and New Zealand. This has enabled them to undertake the UK arm

of projects won in the USA by their associates. They meet and work with the client within the UK but the invoices will go through the business that won the contract in the USA. The respondent noted that these contacts were developed when the partners had been previously employed by another global communications company. Once again the importance of contacts is indicated. Although global, these are contacts established during previous employment and have been harnessed using ICT.

The respondent noted that 70 per cent of communication is by email, 20 per cent over the telephone and 10 per cent face-to-face. Without these electronic communications they would require more face-to-face meetings, but this would mean that the business would be able to handle fewer clients and so the business would not be financially viable.

In summary, this business has set out to make the most use of modern communications to enhance all aspects of their business. It has enabled the partners to push the boundaries of their ability to provide services overseas on behalf of UK clients. They are able to exploit global contacts and create the illusion that these associates are part of their own operation. Indeed, ICT has allowed them to work for multinational corporations professionally and to effectively produce and deliver complex services. The last case study focuses on a mixed orientated agency.

CASE STUDY 3

An office-based marketing agency located in Kenilworth, Warwickshire (interview NH1-1 19-07-07)

The agency in context

This agency has a turnover of £500,000, and derives 60 per cent of its income from the West Midlands and 40 per cent from London and the South East. The first three clients accounted for 50, 15 and 15 per cent of turnover respectively and these clients operate within the housing and construction industries.

Client locations

The agency's first clients were contacts which the founder had built up through their previous experience working within construction and property management. As the business expanded the founder formed a partnership with a designer and together they started to pitch for work, some of which they won. Further work has been acquired through recommendations and referrals, though their largest client, based in the region, was gained when the founder was freelancing for another agency and developed a strong relationship with one of their clients.

The founder comes from London and spent most of their working life there until moving to the region to work for their last employer in Wolverhampton. Thus, through

contacts in London and the South East the founder has managed to acquire clients located there as well as developing a contact network in the West Midlands. Whilst at the time of the survey the majority of the agency's turnover was from the West Midlands, the founder was keen to ensure the agency were not wholly reliant on clients based in the region.

There is a friction between ICT which may push the boundaries of an agency-client relationship towards an over-reliance on ICT and the need to maintain regular face-to-face communication. Even so, at the beginning of the relationship the agency will conduct a face-to-face meeting which usually takes place on their premises: "We try to encourage people to come here, so the idea of having the office, you begin to wonder because clients don't tend to come here" (interview NH1-1 19-07-07). Most clients come to this agency because they do not have an in-house marketing capacity and so they frequently have to structure a marketing plan and this is the type of work that the agency prefers. This involves nurturing a close relationship and becoming integral to the businesses operation.

Working with clients and the impact of ICT

Face-to-face meetings are determined by the project, and can take place as often as weekly or as little as quarterly. Even so, ICT has impacted on the frequency of business meetings:

> "I wouldn't be able to do what I've done without the Internet and email … because the Internet and email give us the ability to deliver almost instantaneously to a client desktop, no matter where the client is … [and] so the need to be local isn't necessary" (interview NH1-1 19-07-07).

Despite this, distance still influences relationships, not least because the respondent is committed to face-to-face meetings as "the most powerful form of communication" (interview NH1-1 19-07-07). Given this, it is necessary for this firm to strike a balance between different forms of communication.

This interview suggests that communication in the agency-client relationship is controlled by the type of work that the agency is conducting for the client. Sometimes this is influenced by industry norms:

> "The more strategic the relationship the less you have to worry about face-to-face, regular face-to-face, certainly in the short term … starting off you need to develop a relationship, but in the longer term you can do a lot of it by telephone. I think if it is project related … clients tend to like a bit more closer face-to-face stuff" (interview NH1-1 19-07-07).

There are definite protocols which determine the frequency of face-to-face meetings. This passage indicates that the agency-client relationship is developed slowly; forging trust and enabling the agency to become embedded within the client's organisation. Such relationships are important in the long-term as they frequently represent opportunities for new work or recommendations to other potential clients.

For a growing business the problem is the need to maintain existing client relationships whilst trying to forge new ones. In doing so, some clients may feel ignored if their usual agency contact attempts to manage the relationship at a greater distance:

> "We've been criticised, where I've backed off because other things have started to evolve, you push, try and push other people forward and they said

> oh well you're obviously not interested in this anymore because we don't' see you as much, so you have to be careful with that" (interview NH1-1 19-07-07).

This is a weakness which has been previously recognised, particularly for BPS firms where the importance of relationships between individuals can lead to clients being lost when an employee moves to another firm and takes clients with them. Here we are seeing the opposite situation. This agency is attempting to grow and so the founder is trying to release his time from 'established' clients in order to provide more time that can be allocated towards finding new clients. However, as evidence from the other case studies suggests, face-to-face meetings can be reduced in the long-run allowing individuals to take on more clients than they may have been able to previously.

Despite the need to maintain regular face-to-face contact with some clients the agency has been able to take advantage of ICT to service some clients that are located away from the agency's office. It appears that because they have a mix of both local and distance clients they have to maintain the needs and demands of clients who want regular face-to-face contact with those that are not quite so concerned:

> "Any copy or visual that we produce is generally delivered now via word file of PDF or we also exchange files over FTP … all our design work is done digitally … I will email a film to a client, I will email a press release to a client for approval or a brochure or whatever it might be, and equally we will email to, all our dealing with the media are now via email" (interview NH1-1 19-07-07).

However, there are concerns to ensure that the client's needs are met, and the respondent noted that without ICT, and in particular email: "we wouldn't be able to compete" (interview

NH1-1 19-07-07). ICT comprises a range of equipment which facilitates a number of functions which are enabling marketing and PR agencies to effectively produce and deliver services for clients. There are functions which previously took many hours as well as skilled labour. Now many of these functions can be completed electronically on specific software packages, for example presentations and other design media. These changes and advances in the production of products have been coupled with the ability to delivery products completed and semi-completed electronically to many people instantaneously.

REFERENCES

Acs, Z. J. and Armington, C. (2004) Employment growth and entrepreneurial activity in cities. *Regional Studies,* 38**,** 911-927.

Acs, Z. J. and Storey, D. J. (2004) Introduction: Entrepreneurship and economic development. *Regional Studies,* 38**,** 871-877.

Andersson, B. E. and Nilsson, S. G. (1964) Studies in the reliability and validity of the critical incident technique. *Journal of Applied Psychology,* 48**,** 398-403.

Araujo, L., Dubois, A. and Gadde, L. E. (2003) The multiple boundaries of the firm. *Journal of Management Studies,* 40**,** 1255-1277.

Arkell, J. (2002) The general agreement on trade in services: A review of its textual clarity and consistency. *Geneva Papers on Risk and Insurance-Issues and Practice,* 27**,** 337-348.

Audretsch, D. B. (2002) *Entrepreneurship: A Survey of the Literature.* Brussels: European Commission, Enterprise Directorate General
[online] Available from: http://ec.europa.eu/enterprise/entrepreneurship/green_paper/literature_survey_2002.pdf
[Accessed: 23 November 2008]

Audretsch, D. B. (2007) Entrepreneurship capital and economic growth. *Oxford Review of Economic Policy,* 23**,** 63-78.

Audretsch, D. B. (2009) The entrepreneurial society. *Journal of Technology Transfer,* 34**,** 245-254.

Audretsch, D. B. and Dohse, D. (2007) Location: A neglected determinant of firm growth. *Review of World Economics,* 143**,** 79-107.

Audretsch, D. B. and Keilbach, M. (2004) Entrepreneurship capital and economic performance. *Regional Studies,* 38**,** 949-959.

Audretsch, D. B. and Keilbach, M. (2007) The theory of knowledge spillover entrepreneurship. *Journal of Management Studies,* 44**,** 1242-1254.

Audretsch, D. B., Thurik, R., Verheul, I. and Wennekers (2002) *Entrepreneurship: Determinants and Policy in a European-U.S. Comparison.* Boston: Kluwer Academic Publishers.

AWM. (2004) *Delivering Advantage: The West Midlands Economic Strategy and Action Plan 2004-2010.* Birmingham: Advantage West Midlands.

AWM. (2006) *Digital West Midlands: The Regional ICT Strategy.* Birmingham: Advantage West Midlands.

Baines, S. (1999) Servicing the media: freelancing, teleworking and 'enterprising' careers. *New Technology Work and Employment,* 14**,** 18-31.

Baines, S. (2002) New technologies and old ways of working in the home of the self-employed teleworker. *New Technology Work and Employment,* 17**,** 89-101.

Baines, S. and Robson, L. (2001) Being self-employed or being enterprising? The case of creative work for the media industries. *Journal of Small Business and Enterprise Development,* 8**,** 349-362.

Baines, S. and Wheelock, J. (1998) Working for each other: gender, the household and micro-business survival and growth. *International Small Business Journal,* 17**,** 16-35.

Baldry, C. (1997) The social construction of office space. *International Labour Review,* 136**,** 365-378.

Baldry, C. (1999) 'Space - The final frontier'. *Sociology: the Journal of the British Sociological Association,* 33**,** 535-553.

Bancel-Charensol, L. (1999) Impacts of information and communication technologies on service production systems. *Service Industries Journal,* 19**,** 147-157.

Beaverstock, J. V. and Boardwell, J. T. (2000) Negotiating globalization, transnational corporations and global city financial centres in transient migration studies. *Applied Geography,* 20**,** 277-304.

Beaverstock, J. V., Smith, R. G. and Taylor, P. J. (2000) World city network: A new metageography? *Annals of the Association of American Geographers,* 90**,** 123-134.

Beaverstock, J. V., Taylor, P. J. and Smith, R. G. (1999) A roster of world cities. *Cities,* 16**,** 445-458.

Belso Martinez, J. A. (2005) Equilibrium entrepreneurship rate, economic development and growth. Evidence from Spanish regions. *Entrepreneurship & Regional Development,* 17**,** 145-161.

Berger, S. and Piore, M. J. (1980) *Dualism and Discontinuity in Industrial Societies.* Cambridge: Cambridge University Press.

Beyers, W. B. (1992) Producer Services. *Progress in Human Geography,* 16**,** 573-583.

Beyers, W. B. (2000) "Cyberspace or human space: wither cities in the age of telecommunications." In Wheeler, J. O., Aoyama, Y. and Warf, B. (eds.) *Cities in the telecommunications age: the fracturing of geographies.* London: Routledge.

Beyers, W. B. (2003) Impacts of IT advances and e-commerce on transportation in producer services. *Growth and Change,* 34**,** 433-455.

Beyers, W. B. (2005a) Outsourcing tendencies in the producer services in the United States Paper Presented at the XV International RESER Conference Granada 22-24 September

Beyers, W. B. (2005b) Services and the changing economic base of regions in the United States. *Service Industries Journal,* 25**,** 461-476.

Beyers, W. B. and Lindahl, D. P. (1996) Lone Eagles and High Fliers in Rural Producer Services. *Rural Development Perspectives,* 11**,** 2-10.

Beyers, W. B. and Nelson, P. B. (2000) Contemporary development forces in the nonmetropolitan west: new insights from rapidly growing communities. *Journal of Rural Studies,* 16**,** 459-474.

Bibby, P. and Shepherd, J. (2005) *Developing a New Classification of Urban and Rural Areas for Policy Purposes – the Methodology.* London: Department for Environment, Food and Rural Affairs

Blanchflower, D. G. and Oswald, A. J. (1998) What makes an entrepreneur? *Journal of Labor Economics,* 16**,** 26-60.

Boddy, M. (michelleboddy@cim.co.uk), (23 September 2009). *CIM.* e-mail to Williams, S. (sxw556@bham.ac.uk)

Boiteux-Orain, G. and Guillain, R. (2004) Changes in the intrametropolitan location of producer services in Ile-de-France (1978-1997): Do information technologies promote a more dispersed spatial pattern? *Urban Geography,* 25**,** 550-578.

Braunerhjelm, P. and Borgman, B. (2004) Geographical concentration, entrepreneurship and regional growth: Evidence from regional data in Sweden, 1975-99. *Regional Studies,* 38**,** 929-947.

Britton, J. N. H. (2004) High technology localization and extra-regional networks. *Entrepreneurship and Regional Development,* 16**,** 369-390.

Britton, N. J., Halfpenny, P., Devine, F. and Mellor, R. (2004) The future of regional cities in the information age: The impact of information technology on Manchester's financial and business services sector. *Sociology-the Journal of the British Sociological Association,* 38**,** 795-814.

Brixy, U. and Grotz, R. (2007) Regional patterns and determinants of birth and survival of new firms in Western Germany. *Entrepreneurship and Regional Development,* 19**,** 293-312.

Bryman, A. (2000) *Research Methods and Organization Studies.* London: Routledge.

Bryson, J., Keeble, D. and Wood, P. (1993a) The Creation, Location and Growth of Small Business Service Firms in the United-Kingdom. *Service Industries Journal,* 13**,** 118-131.

Bryson, J. and Rusten, G. (2004) *Knowledge Intensive Business Service Firms and Regional Development in Norway.* **12** Birmingham: School of Geography, Earth & Environmental Sciences

Bryson, J., Wood, P. and Keeble, D. (1993b) Business networks, small firm flexibility and regional development in UK business services. *Entrepreneurship & Regional Development,* 5**,** 265 - 278.

Bryson, J. R. (1997) Business service firms, service space and the management of change. *Entrepreneurship & Regional Development,* 9**,** 93-111.

Bryson, J. R. (2003) "Reshaping and reinventing the city of Birmingham, UK: planning for enterprises and the information society." In MacLaran, A. (ed.) *Making Space: Property Development and Urban Planning.* London: Arnold.

Bryson, J. R. (2008) "Lone Eagles and High Fliers: Rural-based business and professional service firms and information and communication technology." In Rusten, G. and Skerratt, S. (eds.) *Information and Communication Technologies in Rural Society: Being Rural in a Digital Age.* London: Routledge.

Bryson, J. R. and Daniels, P. W. (2007) "A Segmentation Approach to Understanding Business and Professional Services in City-Regions: Shifting the Horizon beyond Global Cities." In Rubalcaba, L. and Kok, H. (eds.) *Business services in European Economic Growth.* London: Palgrave MacMillan.

Bryson, J. R., Daniels, P. W. and Henry, N. D. (1996) "From Widgets to Where?: The Birmingham Economy in the 1990s." In Gerrard, A. J. and Slater, T. R. (eds.) *Managing a Conurbation: Birmingham and its Region.* Studley, Warwickshire: Brewin Books.

Bryson, J. R., Daniels, P. W. and Warf, B. (2004) *Service Worlds: People, Organisations, Technologies.* Abingdon: Routledge.

Bryson, J. R., Keeble, D. and Wood, P. (1997) The creation and growth of small business service firms in post-industrial Britain. *Small Business Economics,* 9**,** 345-360.

Bryson, J. R. and Rusten, G. (2006) "Spatial Divisions of Expertise and Transnational 'Service' Firms: Aerospace and Management Consultancy." In Harrington, J. W. and Daniels, P. W. (eds.) *Knowledge-Based Services, Internationalization and Regional Development.* London: Ashgate.

Bryson, J. R. and Taylor, M. J. (2006) *The Functioning Economic Geography of the West Midlands Region.* Birmingham: West Midlands Regional Observatory

Butcher, R. (1988) The Use of the Post-Code Address File as a Sampling Frame. *Statistician,* 37**,** 15-24.

Castells, M. (2000) *The Rise of the Network Society.* Oxford: Blackwell Publishers.

Castells, M. (2001) *The Internet Glalaxy: reflections on the internet, business and society.* Oxford: Oxford University Press.

Castells, M. (2002) Local and global: Cities in the network society. *Tijdschrift Voor Economische En Sociale Geografie,* 93**,** 548-558.

Chanda, R. (2003) Social services and the GATS: Key issues. *World Development,* 31**,** 1997-2011.

Chang, P., Karsenty, G., Mattoo, A. and Richtering, J. (1999) GATS, the modes of supply and statistics on trade in services. *Journal of World Trade,* 33**,** 93-115.

Chell, E. (1998) "Critical Incident Technique." In Symon, G. and Cassell, C. (eds.) *Qualitative Methods and Analysis in Organizational Research: A Practical Guide.* London: SAGE Publications Ltd.

CIM. (2005) *Marketing and the 7Ps: A brief summary of marketing and how it works.* Maidenhead: Chartered Institute of Marketing.

Clark, N. (2009) *Top 100 global brands by value 2009* [online]. Available from www.marketingmagazine.co.uk/news/marketingdata/biggest+brands/901385/Top-100-global-brands-value-2009/ [Accessed 3 July 2009]

Coffey, W. J. (2000) The geographies of producer services. *Urban Geography,* 21**,** 170-183.

Cooper, A. C. and Dunkelberg, W. C. (1987) Entrepreneurial Research: Old Questions, New Answers and Methodological Issues. *American Journal of Small Business,* 11**,** 11-23.

Cordes, S., Allen, J., Filkins, R., Hamilton, A. and Spiker, M. (1996) *New residents to Nebraska: who are they and why are they here?* Lincoln: University of Nebraska, Center for Rural Community Revitalization and Development

Cornwall, J. R. (1998) The entrepreneur as a building block for community. *Journal of Development Entrepreneurship,* 32**,** 141-149.

Cowling, K. and Sugden, R. (1987) Market Exchange and the Concept of a Transnational Corporation: Analysing the Nature of the Firm. *British Review of Economic Issues,* 9**,** 57-68.

Cowling, K. and Sugden, R. (1998) The essence of the modern corporation: Markets, strategic decision-making and the theory of the firm. *Manchester School,* 66**,** 59-86.

Crang, M. (2002) Qualitative methods: the new orthodoxy? *Progress in Human Geography,* 26**,** 647-655.

Crang, M. (2003) Qualitative methods: touchy, feely, look-see? *Progress in Human Geography,* 27**,** 494-504.

Cuffe, T. (2003) *UK Standard Industrial Classification of Economic Activities 2003.* Newport: Office for National Statistics

Damesick, P. J. (1986) Service industries, employment and regional development in Britain: a review of recent trends and issues. *Transactions of the Institute of British Geographers,* 11**,** 212-226.

Daniels, P. W. (1975) *Office Location: An Urban and Regional Study.* London: G. Bell and Sons Ltd.

Daniels, P. W. (1982) *Service Industries: Growth and Location.* Cambridge: Cambridge University Press.

Daniels, P. W. (1985) *Service Industries: a geographical appraisal.* London: Methuen.

Daniels, P. W. and Bryson, J. R. (2002a) Manufacturing services and servicing manufacturing: Knowledge-based cities and changing forms of production. *Urban Studies,* 39**,** 977-991.

Daniels, P. W. and Bryson, J. R. (2002b) *Professional Services in Birmingham and the West Midlands: Strengths, Opportunities and Threats.* Birmingham: University of Birmingham, Service Sector Research Unit

Daniels, P. W. and Bryson, J. R. (2005) Sustaining business and professional services in a second city region. *Service Industries Journal,* 25**,** 505-524.

Daniels, P. W. and Bryson, J. R. (2006) *Skill Needs of Business and Professional Services in Objective 2 Areas of the West Midlands.* Birmingham: Services and Enterprise Research Unit School of Geography, Earth and Environmental Sciences

Davis, H. and Scase, R. (2000) *Managing Creativity: the dynamics of work and organization.* Buckingham: Open University Press.

DCMS. (2001) *Creative Industries Mapping Document.* London: Department for Culture, Media and Sport.

DCMS. (2009) *Creative Industries Economic Estimates Statistical Bulletin.* London: Department for Culture, Media and Sport.

Delmar, F. and Davidsson, P. (2000) Where do they come from? Prevalance and characteristics of nascent entrepreneurs. *Entrepreneurship & Regional Development,* 12**,** 1-23.

Devine, F., Britton, J., Mellor, R. and Halfpenny, P. (2000) Professional work and professional careers in Manchester's business and financial sector. *Work Employment and Society,* 14**,** 521-540.

Dicken, P. and Malmberg, A. (2001) Firms in territories: A relational perspective. *Economic Geography,* 77**,** 345-363.

Dicken, P. and Thrift, N. (1992) The Organization of Production and the Production of Organization - Why Business Enterprises Matter in the Study of Geographical Industrialization. *Transactions of the Institute of British Geographers,* 17**,** 279-291.

Dodge, M. and Shiode, N. (2000) "Where on Earth is the Internet? An Empirical Investigation of the Geography of Internet Real Estate." In Wheeler, J. V., Aoyama, Y. and Warf, B. (eds.) *Cities in the Telecommunications Age: The Fracturing of Geographies.* London: Routledge.

Dollinger, M. J. (1995) *Entrepreneurship: Strategies and Resources.* Homewood, IL: Irwin.

Dunn, K. (2000) "Interviewing." In Hay, I. (ed.) *Qualitative Research Methods in Human Geography.* Melbourne: Oxford University Press.

Duxbury, L. E., Higgins, C. A. and Thomas, D. R. (1996) Work and family environments and the adoption of computer-supported supplemental work-at-home. *Journal of Vocational Behavior,* 49**,** 1-23.

Eckhardt, J. T. and Shane, S. A. (2003) Opportunities and entrepreneurship. *Journal of Management,* 29**,** 333-349.

The Economist (2009) Global Heroes: A Special Report on Entrepreneurship March 1-19

Edvardsson, B. and Roos, I. (2001) Critical incident techniques: towards a framework for analysing the criticality of critical incidents. *International Journal of Service Industry Management,* 12**,** 251-268.

Ekinsmyth, C. (1999) Professional workers in a risk society. *Transactions of the Institute of British Geographers,* 24**,** 353-366.

Ekinsmyth, C. (2002) Project organization, embeddedness and risk in magazine publishing. *Regional Studies,* 36**,** 229-243.

Elwood, S. A. and Martin, D. G. (2000) "Placing" interviews: Location and scales of power in qualitative research. *Professional Geographer,* 52**,** 649-657.

ESRC. (2005) *Research Ethics Framework.* Swindon: Economic and Social Research Council.

Ettlinger, N. (1997) An assessment of the small-firm debate in the United States. *Environment and Planning A,* 29**,** 419-442.

Faulconbridge, J. R. (2006) Stretching tacit knowledge beyond a local fix? Global spaces of learning in advertising professional service firms. *Journal of Economic Geography,* 6**,** 517-540.

Faulconbridge, J. R. (2007) Exploring the role of professional associations in collective learning in London and New York's advertising and law professional-service-firm clusters. *Environment and Planning A,* 39**,** 965-984.

Faulconbridge, J. R. (2008) Negotiating cultures of work in transnational law firms. *Journal of Economic Geography,* 8**,** 497-517.

Felstead, A., Jewson, N., Phizacklea, A. and Walters, S. (2002) The option to work at home: another privilege for the favoured few? *New Technology Work and Employment,* 17**,** 204-223.

Flanagan, J. C. (1954) The Critical Incident Technique. *Psychological Bulletin,* 51**,** 327-358.

Fletcher, D. (2004) International entrepreneurship and the small business. *Entrepreneurship and Regional Development,* 16**,** 289-305.

Fletcher, D. E. (2006) Entrepreneurial processes and the social construction of opportunity. *Entrepreneurship and Regional Development,* 18**,** 421-440.

Florida, R. (2002a) Bohemia and economic geography. *Journal of Economic Geography,* 2**,** 55-71.

Florida, R. (2002b) The economic geography of talent. *Annals of the Association of American Geographers,* 92**,** 743-755.

Florida, R. (2002c) *The Rise of the Creative Class.* New York: Basic Books.

Friedman, T. L. (2006) *The world is flat: the globalized world in the twenty-first century.* London: Penguin.

Fritsch, M. (2008) How does new business formation affect regional development? Introduction to the special issue. *Small Business Economics,* 30**,** 1-14.

Fritsch, M., Brixy, U. and Falck, O. (2006) The effect of industry, region, and time on new business survival - A multi-dimensional analysis. *Review of Industrial Organization,* 28**,** 285-306.

Fritsch, M. and Mueller, P. (2004) Effects of new business formation on regional development over time. *Regional Studies,* 38**,** 961-975.

Frobel, F., Heinrichs, J. and Kreye, O. (1980) *The New International Division of Labor.* Cambridge: Cambridge University Press.

Gershuny, J. I. and Miles, I. D. (1983) *The New Service Economy: the Transformation of Employment in Industrial Societies.* London: Frances Pinter.

Gillespie, A., Richardson, R. and Cornford, J. (1995) *Review of Telework in Britain: implications for Public Policy.* Newcastle upon Tyne: UK Parliamentary Office of Science and Technology, Centre for Urban and Regional Development Studies

Gladwell, M. (2000) *The Tipping Point: how little things can make a big difference.* London: Abacus.

Goddard, J. B. (1971) Office Communications and Office Location - Review of Current Research. *Regional Studies,* 5**,** 263-280.

Goddard, J. B. and Pye, R. (1977) Telecommunications and Office Location. *Regional Studies,* 11**,** 19-30.

Goe, W. R. (1990) Producer Services, Trade and the Social Division of Labour. *Regional Studies,* 24**,** 327-342.

Good, W. S. and Levy, M. (1992) Home-based business: a phenomenon of growing economic importance. *Journal of Small Business and Enterprise Development,* 10**,** 34-46.

Grabher, G. (1993) "Rediscovering the social in the economics of interfirm relations." In Grabher, G. (ed.) *The Embedded Firm. On the Socioeconomics of Industrial Networks.* London and New York: Routledge.

Grabher, G. (2001a) Ecologies of creativity: the Village, the Group, and the heterarchic organisation of the British advertising industry. *Environment and Planning A,* 33**,** 351-374.

Grabher, G. (2001b) Locating economic action: projects, networks, localities, institutions. *Environment and Planning A,* 33**,** 1329-1331.

Grabher, G. (2002a) Cool projects, boring institutions: Temporary collaboration in social context. *Regional Studies,* 36**,** 205-214.

Grabher, G. (2002b) The project ecology of advertising: Tasks, talents and teams. *Regional Studies,* 36**,** 245-262.

Graham, S. (1999) Global grids of glass: On global cities, telecommunications and planetary urban networks. *Urban Studies,* 36**,** 929-949.

Graham, S. (2000) Constructing premium network spaces: Reflections on infrastructure networks and contemporary urban development. *International Journal of Urban and Regional Research,* 24**,** 183-+.

Granovetter, M. (1985) Economic-Action and Social-Structure - the Problem of Embeddedness. *American Journal of Sociology,* 91**,** 481-510.

Green, A. E., Hasluck, C. and Wilson, R. A. (2006) *Future Prospects for the West Midlands Economy and Employment.* Birmingham: West Midlands Regional Observatory

Gremler, D. D. (2004) The critical incident technique in service research. *Journal of Service Research,* 7**,** 65-89.

Grimes, S. (2003) The digital economy challenge facing peripheral rural areas. *Progress in Human Geography,* 27**,** 174-193.

Haddon, L. and Brynin, M. (2005) The character of telework and the characteristics of teleworkers. *New Technology Work and Employment,* 20**,** 34-46.

Hall, S. P. (2001) "Global City-Regions in the Twenty-first Century." In Scott, A. J. (ed.) *Global CIty-Regions: Trends, Theory, Policy.* Oxford: Oxford University Press.

Harvey, D. (1990) *The Condition of Postmodernity.* Oxford: Blackwells.

Haugh, H. M. and Robson, P. J. A. (2005) Are Scottish firms meeting the ICT challenge? Results from a National Survey of Enterprise. *Entrepreneurship and Regional Development,* 17**,** 205-222.

Hayter, R., Patchell, J. and Rees, K. (1999) Business segmentation and location revisited: Innovation and the Terra incognita of large firms. *Regional Studies,* 33**,** 425-442.

Henley, A. (2005) Job creation by the self-employed: The roles of entrepreneurial and financial capital. *Small Business Economics,* 25**,** 175-196.

Henley, A. (2007) Entrepreneurial aspiration and transition into self-employment: evidence from British longitudinal data. *Entrepreneurship and Regional Development,* 19**,** 253-280.

Henry, N., McEwan, C. and Pollard, J. S. (2002) Globalization from below: Birmingham - postcolonial workshop of the world? *Area,* 34**,** 117-127.

Hibbert, E. (2003) The new framework for global trade in services - All about GATS. *Service Industries Journal,* 23**,** 67-78.

Hitchens, D. (1997) The adequacy of the supply of professional advisory services to manufacturing firms in rural mid Wales. *Service Industries Journal,* 17**,** 669-689.

Hitchens, D., O'Farrell, P. N. and Conway, C. D. (1996a) The comparative performance of business services in Northern Ireland and the Republic of Ireland. *Urban Studies,* 33**,** 1093-1110.

Hitchens, D., O'Farrell, P. N. and Conway, C. D. (1996b) The competitiveness of business services in the Republic of Ireland, Northern Ireland, Wales, and the south east of England. *Environment and Planning A,* 28**,** 1299-1313.

Hotopp, U. (2002) *Teleworking in the UK.* Labour Market Trends: Department of Trade and Industry

Illeris, S. (1994) Proximity between Service Producers and Service Users. *Tijdschrift Voor Economische En Sociale Geografie,* 85**,** 294-302.

Illeris, S. and Philippe, J. (1993) Introduction - the Role of Services in Regional Economic-Growth. *Service Industries Journal,* 13**,** 3-10.

Jay, L. (2003) Home Based Businesses in Australia: A Review of the Literature. *Working Paper Series Curtin University of Technology***,** 10.

Jay, L. and Schaper, M. (2003) Which advisers do micro-firms use? some Australian evidence. *Journal of Small Business and Enterprise Development,* 10**,** 136-143.

Jobber, D. (2001) *Principles and Practice of Marketing.* Maidenhead: McGraw-Hill Publishing Company.

Johannisson, B., Remirez-Pasillas, M. and Karlsson, G. (2002) The institutional embeddedness of local inter-firm networks: a leverage for business creation. *Entrepreneurship & Regional Development,* 14**,** 297-315.

Katz, J. A. (1990) Longitudinal analysis of self-employment follow-through. *Entrepreneurship & Regional Development,* 2**,** 15-25.

Kaulio, M. A. (2003) Initial conditions or process of development? Critical incidents in the early stages of new ventures. *R & D Management,* 33**,** 165-175.

Keeble, D. and Bryson, J. (1996) Small-firm creation and growth, regional development and the North-South divide in Britain. *Environment and Planning A,* 28**,** 909-934.

Keeble, D., Bryson, J. and Wood, P. (1991) Small Firms, Business Services Growth and Regional-Development in the United-Kingdom - Some Empirical-Findings. *Regional Studies,* 25**,** 439-457.

Keeble, D. and Nachum, L. (2002) Why do business service firms cluster? small consultancies, clustering and decentralisation in London and Southern England. *Transactions of the Institute of British Geographers,* 27**,** 67-90.

Kitchen, P. J. and Proctor, R. A. (1991) The Increasing Importance of Public Relations in Fast Moving Consumer Goods Firms. *Journal of Marketing Management,* 7**,** 357-370.

Knight, F. H. (1921) *Risk, uncertainty and profit.* New York: Houghton Miffliln.

Krugman, P. (1991) Increasing Returns and Economic Geography. *Journal of Political Economy,* 99**,** 483-499.

Lash, S. and Urry, J. (1994) *Economies of Signs and Space.* London: SAGE Publications.

Lawton Smith, H., Glasson, J. and Chadwick, A. (2005) The geography of talent: entrepreneurship and local economic development in Oxfordshire. *Entrepreneurship and Regional Development,* 17**,** 449-478.

Learned, K. E. (1992) What happenend before the organization? A model of organization formation. *Entrepreneurship Theory and Practice,* 17**,** 91-95.

Lee, G. and Cochran, L. (1997) Becoming self-employed. *The Career Development Quarterly,* 46**,** 98-108.

Lee, S. Y., Florida, R. and Acs, Z. J. (2004) Creativity and entrepreneurship: A regional analysis of new firm formation. *Regional Studies,* 38**,** 879-891.

Leslie, D. A. (1995) Global Scan - the Globalization of Advertising Agencies, Concepts, and Campaigns. *Economic Geography,* 71**,** 402-426.

Leslie, D. A. (1997) Flexibly specialized agencies? Reflexivity, identity, and the advertising industry. *Environment and Planning A,* 29**,** 1017-1038.

Longhurst, R. (2003) "Semi-structured Interviews and Focus Groups." In Clifford, N. J. and Valentine, G. (eds.) *Key Methods in Geography.* London: Sage Publications.

Love, J., Driffield, N., Roper, S. and Scott, J. (2006) *Factors Influencing the Relative Performance of the West Midlands.* Birmingham: West Midlands Regional Observatory

Lundin, R. A. and Soderholm, A. (1995) A Theory of the Temporary Organization. *Scandinavian Journal of Management,* 11**,** 437-455.

Luthi, S., Thierstein, A. and Goebel, V. (2008) Intra-firm and Extra-firm Linkages of the Knowledge Economy - The Case of the Mega-City Region of Munich *GaWC Research Bulletin* **269**
[online] Available from: http://www.lboro.ac.uk/gawc/rb/rb269.html [Accessed 19 May 2008]

Madill, J. J., Haines, G. H. and Riding, A. L. (2004) Networks and linkages among firms and organizations in the Ottawa-region technology cluster. *Entrepreneurship and Regional Development,* 16**,** 351-368.

Magdeleine, J. and Maurer, A. (2008) *Measuring GATS Mode 4 Trade Flows.* Geneva: World Trade Organization, Economic Research and Statistics Division

Malecki, E. J. and Gorman, S. P. (2001) "Maybe the Death of Distance, but not the End of Geography: the Internet as a Network." In Leinbach, T. R. and Brunn, S. D. (eds.) *Worlds of E-Commerce: Economic, Geographical and Social Dimensions.* Chichester: John Wiley & Sons, LTD.

Marcketti, S. B., Niehm, L. S. and Fuloria, R. (2006) An Exploratory Study of Lifestyle Entrepreneurship and Its Relationship to Life Quality. *Family and Consumer Sciences Research Journal,* 34**,** 241-259.

Markusen, A. (1996) Sticky places in slippery space: A typology of industrial districts. *Economic Geography,* 72**,** 293-313.

Markusen, A. (1999) Fuzzy Concepts, Scanty Evidence, Policy Distance: The Case for Rigour and Policy Relevance in Critical Regional Studies. *Regional Studies,* 33**,** 869-884.

Markusen, A. (2006) Urban development and the politics of a creative class: evidence from a study of artists. *Environment and Planning A,* 38**,** 1921-1940.

Markusen, A., Wassail, G. H., DeNatale, D. and Cohen, R. (2008) Defining the creative economy: Industry and occupational approaches. *Economic Development Quarterly,* 22**,** 24-45.

Markusen, A., Wassall, G. H., DeNatale, D. and Cohen, R. (2006) Defining the Cultural Economy: Industry and Occupational Approaches Paper Presented at the North American Regional Science Council Meetings Toronto November

Martin, L. M. and Matlay, H. (2001) "Blanket" approaches to promoting ICT in small firms: some lessons from the DTI ladder adoption model in the UK. *Internet Research-Electronic Networking Applications and Policy,* 11**,** 399-410.

Martinez-Arguelles, S. R. and Rubiera-Morollon, F. (2006) Outsourcing of advanced business services in the Spanish economy: Explanation and estimation of the regional effects. *Service Industries Journal,* 26**,** 267-285.

McElhatton, N. (2009) *Marketing's Direct Marketing and Sales Promotion League Tables 2009* [online]. Available from www.marketingmagazine.co.uk/news/marketingdata/biggest+agencies/894920/Marketings-Direct-Marketing-Sales-Promotion-League-Tables-2009/ [Accessed 29 June 2009]

McGuirk, P. and O'Neill, P. (2002) Planning a prosperous Sydney: the challenges of planning urban development in the new urban context. *Australian Geographer,* 33**,** 301-316.

McLafferty, S. L. (2003) "Conducting Questionnaire Surveys." In Clifford, N. J. and Valentine, G. (eds.) *Key Methods in Geography.* London: Sage Publications.

Molloy, J. (jessicam@cipr.co.uk), (11 September 2009). *Re: Public Relations members in the UK*. e-mail to Williams, S. (sxw556@bham.ac.uk)

Moyart, L. (2005) The role of producer services in regional development: What opportunities for medium-sized cities in Belgium? *Service Industries Journal,* 25**,** 213-228.

Mueller, P., van Stel, A. and Storey, D. J. (2008) The effects of new firm formation on regional development over time: The case of Great Britain. *Small Business Economics,* 30**,** 59-71.

NOMIS (1998-2005) *Annual Business Inquiry* [online]. Available from https://www.nomisweb.co.uk/ [Accessed 29 November 2007]

NOMIS (2004) *Annual Business Inquiry* [online]. Available from https://www.nomisweb.co.uk/ [Accessed 26 August 2006]

Nooteboom, B. (2000) *Learning and Innovation in Organisations and Economics.* Oxford: Oxford University Press.

O'Farrell, P. N. and Wood, P. A. (1998) Internationalisation by business service firms: towards a new regionally based conceptual framework. *Environment and Planning A,* 30**,** 109-128.

O'Neill, P. M. and McGuirk, P. (2003) Reconfiguring the CBD: Work and discourses of design in Sydney's office space. *Urban Studies,* 40**,** 1751-1767.

Oinas, P. (1999) Voices and silences: the problem of access to embeddedness. *Geoforum,* 30**,** 351-361.

Oinas, P. (2006) "The Many Boundaries of the Firm." In Taylor, M. and Oinas, P. (eds.) *Understanding the Firm: Spatial and Organizational Dimensions.* Oxford: Oxford University Press.

Panteli, N. and Dawson, P. (2001) Video conferencing meetings: Changing patterns of business communication. *New Technology Work and Employment,* 16**,** 88-99.

Parfitt, J. (2005) "Questionnaire design and sampling." In Flowerdew, R. and Martin, D. (eds.) *Methods in human geography : a guide for students doing a research project.* Harlow: Pearson Prentice Hall.

Peacock, R. W. (1994a) Finanacial aspects of home-based enterprises. *Accounting Forum,* 18**,** 69-83.

Peacock, R. W. (1994b) Home-based enterprises in South Australia. *Small Enterprise Series No. 26***,** 1-100.

Peck, J. (2005) Struggling with the creative class. *International Journal of Urban and Regional Research,* 29**,** 740-770.

Pike, A. (2009) Geographies of brands and branding. *Progress in Human Geography,* 33**,** 619-645.

Polanyi, M. (1966) Logic of Tacit Inference. *Philosophy,* 41**,** 1-18.

Porter, M. E. (1998) Clusters and the New Economics of Competition. *Harvard Business Review***,** 77-90.

Porter, M. E. (2001) "Regions and the New Economics of Competition." In Scott, A. J. (ed.) *Global City-Regions: Trends, Theory, Policy.* Oxford: Oxford University Press.

Pratt, A. (2007) An economic geography of the cultural industries *London: LSE Research Online*
[online] Available from: http://eprints.lse.ac.uk/855/ [Accessed 9 August 2009]

Ramsey, E., Ibbotson, P., Bell, J. and McCole, P. (2005) Internet-based business among knowledge intensive business services: Some Irish regional evidence. *Service Industries Journal,* 25**,** 525-545.

Ramsey, E. and McCole, P. (2005) E-Business in professional SMEs: the case of New Zealand. *Journal of Small Business and Enterprise Development,* 12**,** 528-544.

Raper, J., Rhind, D. and Shepherd, J. (1992) *Postcodes: the new geography.* Harlow: Longman Group UK Ltd.

Rathe, K. and Witt, U. (2001) The Nature of the Firm - Static verses Developmental Interpretations. *Journal of Management and Governance,* 5**,** 331-351.

Reich, R. B. (1992) *The Work of Nations.* New York: Vintage Books.

Robinson, G. (1998) *Methods and Techniques in Human Geography.* Chichester: John Wiley and Sons.

Romer, P. M. (1986) Increasing Returns and Long-Run Growth. *Journal of Political Economy,* 94**,** 1002-1037.

Rotefoss, B. and Kolvereid, L. (2005) Aspiring, nascent and fledgling entrepreneurs: an investigation of the business start-up process. *Entrepreneurship and Regional Development,* 17**,** 109-127.

Rubalcaba-Bermejo, L. (1999) *Business services in European industry : growth, employment and competitiveness.* Luxembourg: Office for Official Publications of the European Communities.

Salt, J. (1998) *Current trends in international Migration in Europe.* London: Migration Research Unit, University of London

Sassen, S. (2001a) "Global Cities and Global City-Regions: A Comparison." In Scott, A. J. (ed.) *Global City-Regions: Trends, Theory, Policy.* Oxford: Oxford University Press.

Sassen, S. (2001b) *The Global City: New York, London, Tokyo.* Princeton: Princeton University Press.

Sassen, S. (2002) Locating cities on global circuits. *Environment and Urbanization,* 14**,** 13-30.

Saxenian, A. (1994) *Regional Advantage. Culture and Competition in Silicon Valley and Route 128.* Cambridge, MA: Harvard University Press.

Saxenian, A. (1996) *Regional Advantage. Culture and Competition in Silicon Valley and Route 128.* Cambridge, MA: Harvard University Press.

Scherrer, C. (2005) GATS: long-term strategy for the commodification of education. *Review of International Political Economy,* 12**,** 484-510.

Schumpeter, J. A. (1947) *Capitalism, socialism and democracy.* London: George Allen & Unwin.

Search, P. and Taylor, M. (2002) "Local Embeddeness and Service Firms: Evidence from Southern England." In Taylor, M. and Leonard, S. (eds.) *Embedded Enterprise and Social Capital.* Aldershot: Ashgate.

Sebastian, M. S. and Hurtig, A. K. (2007) Is GATS a concern for the Swedish healthcare system? *Scandinavian Journal of Public Health,* 35**,** 666-669.

Shane, S. (2000) Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science,* 11**,** 448-469.

Simon, H. A. (1960) *The Shape of Automation for Men and Management.* New York: Harper and Row.

Sohn, J. (2004) Information technology in the 1990s: More footloose or more location-bound? *Papers in Regional Science,* 83**,** 467-485.

Solow, R. M. (1956) A Contribution to the Theory of Economic-Growth. *Quarterly Journal of Economics,* 70**,** 65-94.

Sorenson, O. and Audia, P. G. (2000) The social structure of entrepreneurial activity: Geographic concentration of footwear production in the United States, 1940-1989. *American Journal of Sociology,* 106**,** 424-461.

Southern, A. and Tilley, F. (2000) Small firms and information and communication technologies (ICTs): toward a typology of ICTs usage. *New Technology Work and Employment,* 15**,** 138-154.

Stanger, A. M. J. (2000a) *Determinants of home-based business sales performance.* School of Commerce: Flinders University of South Australia

Stanger, A. M. J. (2000b) *Home-based business marginality: a review of home-based business performance and its determinants.* School of Commerce: Flinders University of South Australia

Stanger, A. M. J., Roffey, A., Forsaith, D., McInnes, E., Petrone, F., Symes, C. and Xydias, M. (2001) *Gender differences in small business owner managers: implications for accountants and other providers of assistance and advice.* Centre for Women and Business: University of Western Australia

Stanger, A. M. J. and Woo, L. A. (2001) *Factors associated with Australian home-based business size: a pilot study.* Centre for Women and Business: University of Western Australia

Stanworth, C. (1998) Telework and the information age. *New Technology Work and Employment,* 13**,** 51-62.

Storey, D. J. (1991) The Birth of New Firms - Does Unemployment Matter? A Review of the evidence. *Small Business Economics,* 3**,** 167-178.

Strauss, A. and Corbin, J. (1998) *Basics of Qualitative Research: techniques and procedures for developing grounded theory.* London: Sage Publications.

Sudhira, H. S., Ramachandra, T. V. and Subrahmanya, M. H. B. (2007) City profile. *Cities,* 24**,** 379-390.

Sullivan, C. (2003) What's in a name? Definitions and conceptualisations of teleworking and homeworking. *New Technology Work and Employment,* 18**,** 158-165.

Tamasy, C. and Le Heron, R. (2008) The geography of firm formation in New Zealand. *Tijdschrift Voor Economische En Sociale Geografie,* 99**,** 37-52.

Taylor, M. (1984) Industrial geography and the business organisation. In Taylor, M. (Ed.) *The geograpy of Australian corporate power.* Sydney, Coom Helm.

Taylor, M. (1999) The Small Firm as a Temporary Coalition. *Entrepreneurship & Regional Development,* 11**,** 1-19.

Taylor, M. (2006) "Fragments and Gaps: Exploring the Theory of the Firm." In Taylor, M. and Oinas, P. (eds.) *Understanding the Firm: Spatial and Organizational Dimensions.* Oxford: Oxford University Press.

Taylor, M. and Bryson, J. (2006) "Guns, firms, and contracts: the evolution of gun-making in Birmingham." In Taylor, M. and Oinas, P. (eds.) *Understanding the Firm: Spatial and Organizational Dimensions.* Oxford: Oxford University Press.

Taylor, M. and Leonard, S. (2002) "Approaching 'Embeddedness'." In Taylor, M. and Leonard, S. (eds.) *Embedded Enterprise and Social Capital.* Aldershot: Ashgate.

Taylor, M. and Murphy, A. (2004) SMEs and the take-up of e-business. *Urban Geography,* 25**,** 315-331.

Taylor, M. J. and Thrift, N. J. (1982) Industrial Linkage and the Segmented Economy .1. Some Theoretical Proposals. *Environment and Planning A,* 14**,** 1601-1613.

Taylor, M. J. and Thrift, N. J. (1983) Business Organization, Segmentation and Location. *Regional Studies,* 17**,** 445-465.

Thierstein, A., Luthi, S., Kruse, C., Gabi, S. and Glanzmann, L. (2008) Changing value chain of the Swiss knowledge economy: Spatial impact of intra-firm and inter-firm networks within the emerging Mega-City Region of Northern Switzerland. *Regional Studies,* 42**,** 1113-1131.

Tschetter, J. (1987) Producer services industries: why are they growing so rapidly. *Monthly Labor Review***,** 31-39.

UN. (2002) *Manual on Statistics of International Trade in Services.* New-York: United Nations.

Uzzi, B. (1996) The sources and consequences of embeddedness for the economic performance of organizations: The network effect. *American Sociological Review,* 61**,** 674-698.

Valentine, G. (2005) "Tell me about...: using interviews as a research methodology." In Flowerdew, R. and Martin, D. (eds.) *Methods in human geography: a guide for students doing a research project.* Harlow: Pearson Prentice Hall.

Van Stel, A. J. and Storey, D. J. (2004) The link between firm births and job creation: Is there a Upas tree effect? *Regional Studies,* 38**,** 893-909.

Varga, A. and Schalk, H. J. (2004) Knowledge spillovers, agglomeration and macroeconomic growth: An empirical approach. *Regional Studies,* 38**,** 977-989.

Vilhelmson, B. and Thulin, E. (2001) Is regular work at fixed places fading away? The development of ICT-based and travel-based modes of work in Sweden. *Environment and Planning A,* 33**,** 1015-1029.

Wagner, J. (1994) Small firm entry in manufacturing industries: Lower Saxony, 1979-1989. *Small Business Economics,* 6**,** 211-224.

Walker, E. and Brown, A. (2004) What success factors are important to small business owners? *International Small Business Journal,* 22**,** 577-594.

PR Week (2009) Top 150 PR Consultancies April 16-17

Watts, H. D., Wood, A. M. and Wardle, P. (2006) Owner-managers, clusters and local embeddedness: small firms in the Sheffield (UK) metal-working cluster. *Entrepreneurship and Regional Development,* 18**,** 185-205.

Westhead, P. and Wright, M. (1999) Contributions of novice, portfolio and serial founders located in rural and urban areas. *Regional Studies,* 33**,** 157-173.

Williamson, O. E. (1975) *Markets and hierachies: analysis and antitrust implications: a study in the economics of internal organization.* London: Free press, Collier Macmillan.

Wilson, P. R. and Elliot, D. J. (1987) An Evaluation of the Postcode Address File as a Sampling Frame and Its Use within Opcs. *Journal of the Royal Statistical Society Series a-Statistics in Society,* 150**,** 230-240.

Witt, P. (2004) Entrepreneurs' networks and the success of start-ups. *Entrepreneurship and Regional Development,* 16**,** 391-412.

WMRO. (2005) *Real Lives Real Issues: A State of the Region Update Report 2005.* Birmingham: West Midlands Regional Observatory.

WMRO. (2006) *Real Lives Real Issues: A State of the Region Update Report 2006.* Birmingham: West Midlands Regional Observatory.

WMRO. (2008) *State of the Region Report 2008.* Birmingham: West Midlands Regional Observatory.

WMRO. (2009) *State of the Region Report 2009.* birmingham: West Midlands Regional Observatory.

Wood, P. A. (1990) "An integrated view of the role of services." In Teare, R., Moutinho, L. and Morgan, N. (eds.) *Managing and Marketing Services in the 1990s.* London: Cassell Educational Ltd.

Wood, P. A. (1991) Flexible Accumulation and the Rise of Business Services. *Transactions of the Institute of British Geographers,* 16**,** 160-172.

Wood, P. A. (2005) A service-informed approach to regional innovation - or adaptation? *Service Industries Journal,* 25**,** 429-445.

Wood, P. A., Bryson, J. and Keeble, D. (1993) Regional Patterns of Small Firm Development in the Business Services - Evidence from the United-Kingdom. *Environment and Planning A,* 25**,** 677-700.

Yell (2006) *Yell.com* [online]. Available from www.yell.com [Accessed December 2006]